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## EXCHANGE CONTROL

Control of foreign exchange transactions by governmental or other authority has become common since September, 1931. The provisions of such control vary considerably, but the more extreme forms constitute a virtual embargo on trade. Exchange control frequently has the effect of a protective tariff, and this may be one reason for its spread. The chief objection to it is that it is likely to prevent or impede the establishment of stable equilibrium in international price levels. The strongest justification for exchange control is probably as a temporary expedient for meeting some emergency, though it is most often defended on the ground that post-war experiences make it necessary, largely for psychological reasons, to maintain the exchange value of the currency whatever the cost. Exchange control is incompatible with the gold standard even though it enables the nominal parity with gold to be maintained. Abandonment of control measures, either by applying strictly the principles of a true gold standard or by allowing the exchange value to move to a point that will establish international equilibrium, is greatly desired.

In all but a few of the important countries of the world, foreign exchange quotations and transactions are today subjected to control. The degree of regulation varies greatly. Dealings in foreign exchange may merely be subjected to the scrutiny of some central organization or, at the other extreme, every transaction involving foreign exchange may be subjected to absolute supervision and control. In some countries the administrative organization has the power to prohibit both imports and exports. The recent tendency has, unfortunately, been toward the more rigid types of regulation.

The existence of this situation is recognized in current discussion, and its significance has been emphasized repeatedly. Exchange control is accorded a conspicuous place among the causes of the present state of world affairs and it is cited as a barrier to economic recovery. The Economic Committee of the League of Nations included it among those restrictions that have led to the "strangulation of international trade."<sup>1</sup> The last annual report of the Bank of International Settlements declared that:

Exchange control . . . forced trade into a kind of straitjacket, leaving little or no room for the play of such economic forces as price changes and other factors that normally tend to re-establish equilibrium. It is manifest that this interference, like other barriers to economic freedom, . . . offers no solution to fundamental problems, but instead aggravates them in the long run.<sup>2</sup>

<sup>1</sup> *The Sun*, Baltimore, July 22, 1932.

<sup>2</sup> *New York Herald Tribune*, May 11, 1932.

Despite the acknowledged importance of exchange control, the problem has nowhere been comprehensively analyzed. Furthermore, descriptions of foreign exchange in textbooks and elsewhere are still generally based upon the assumption that exchange rates are as freely and automatically determined as they were in 1913.

### *What Is Exchange Control?*

Broadly speaking, control of exchange signifies any attempt, usually through some governmental agency, to support the value of domestic currency in terms of foreign currency by interfering with factors determining the exchange rate. The means whereby exchange is controlled fall roughly into two general classes. Exchange dealings may be left more or less free except that when the rate rises to a certain point the government throws foreign exchange on the market to prevent it from going any higher or to avoid adjustments that would otherwise occur. This type of control consists in augmenting the supply of foreign exchange as a means of regulating its price and was the method followed by England and France during the war. It requires that the government be able to supply foreign exchange whenever the rate moves above a certain point. During the war large amounts of foreign exchange were obtained through borrowing in the United States.

Another means of securing foreign exchange is to require that all holdings of foreign purchasing power be declared to the control agency. This agency is authorized thereupon to take the holdings over at a fixed price. Between 1914 and 1917 when we entered the war, Great Britain and France mobilized billions of dollars' worth of American and other foreign securities. They sold these securities abroad or pledged them for loans and used the proceeds to build up balances in foreign countries, principally in the United States. By such means the supply of foreign exchange may be increased from within the country as well as from outside.

The other type of control involves measures for reducing the demand for foreign exchange and may be used alone or in conjunction with the measures just described. Where control is stringent, all foreign exchange transactions must pass through the control agency which not only fixes the rate at which foreign exchange will be bought and sold but may also refuse to sell it except to pay for absolutely necessary purchases. Even where control is relatively moderate, dealings in foreign exchange are often far from free. For example, in Denmark the National Bank is authorized to allocate exchange for whatever purposes seem desirable and to refuse to sell exchange when the need is not sufficiently urgent.<sup>3</sup> And the

<sup>3</sup> *Foreign Financial News*, Finance and Investment Division, Bureau of Foreign and Domestic Commerce, Washington, D.C., Special Circular no. 378, p. 2.

law suggests that certain types of imports be accorded preference.<sup>4</sup> In many countries foreign exchange cannot be bought if it is to be used for the importation of specified classes of commodities. In others, exchange is available for the purchase of certain types of goods only if a special permit is obtained, and such permits may be almost impossible to obtain. The commodities specifically or in effect excluded are generally the so-called luxury goods, but the latter term is frequently extended to include automobiles, motor cycles, radios, razors, typewriters and similar articles that scarcely deserve the name.<sup>5</sup>

It remained for Bolivia to carry this policy of exclusion to its extreme. From the middle of June to July 12, 1932, all sales of foreign exchange were suspended. Previously, allotments of exchange had been limited to a small percentage of the quantity desired, and at the time sales were suspended it was announced that this suspension was a temporary expedient designed to permit subsequent sales in larger volume. A more fundamental reason may have been that the government, observing the increasing tension with Paraguay, took this means of accumulating a stock of foreign exchange for use in case of emergency. Whatever the reason, the effect was to place a virtual embargo upon imports.<sup>6</sup>

Even where no goods are specifically barred, the operation of a scale of priority often gives much the same effect. This is illustrated by a more or less typical example. In Hungary, priority in the allocation of foreign exchange to pay for imports is based on the following schedule:<sup>7</sup>

1. Raw materials or semi-manufactured goods required for domestic industry, for re-export or for essential domestic needs.
2. Necessary commodities not available in Hungary.
3. Raw materials or semi-manufactured goods that are likely to provide employment.
4. Commodities having widespread use.

<sup>4</sup>Invisible imports, also, may receive preference in the allocation of exchange. The declared purpose of the Australian exchange pool was to provide for the service on the foreign debt before supplying the needs of commerce.

<sup>5</sup>Determination of what is a luxury and what is a necessity is sometimes fixed by law and sometimes left with the control body. The resulting decisions are often arbitrary and are apt to lead to charges of favoritism. The Chilean control board, for example, held surgeon's rubber gloves to be luxuries and hence inadmissible, apparently placing them in the same category with toy balloons and rubber novelties. More serious charges, alleging unfairness and violation of the regulations, have repeatedly been made against the control administration in Chile. Imports from Great Britain are alleged to have received preference in the allocation of exchange in Denmark.

<sup>6</sup>The English Parliament in 1381 went even further in an attempt to retain purchasing power at home. According to an act of that year, "no person, either of the clergy or laity, except lords and other great men, real known merchants, and the king's soldiers, were to be allowed to go out of the kingdom." (David MacPherson, *Annals of Commerce*, London, 1805, vol. 1, p. 592.)

<sup>7</sup>Information supplied by Acting Commercial Attaché George Wythe, Budapest.



5. Other imports which are to be recommended.
6. Non-essential imports.

It is apparent that the actual effect of such a law as this depends in large part upon its administration. The category into which a particular article falls determines whether it shall be freely imported or, perhaps, entirely excluded. In two ways, therefore, the law can be administered to provide almost complete protection for domestic industries. A manufacturer may maintain, first, that the commodity in question is not essential or, second, that it can be obtained from domestic sources. Since the latter contention is reinforced by the anxiety to provide employment for labor within the country, his case is particularly strong.

In this way, the control of exchange becomes not merely a perfect substitute for a protective tariff but a distinct improvement over it from a political standpoint. While a prohibitive tariff would be certain to arouse opposition at home and likely to provoke retaliation from abroad, the effort to maintain the exchange value of the currency appears to be a highly patriotic move and is more apt to arouse sympathy than antagonism among foreigners. It is said that the continental blockade established by Napoleon was strongly supported by French manufacturers because of the protection it gave them against foreign competition. In fact, the economic effect was probably more important than the political in continuing the blockade in operation.<sup>8</sup> One is led to suspect that the same motive has been present in the numerous attempts to control exchange movements in recent years.<sup>9</sup>

### *The Machinery of Control*

The administration of exchange control falls into two more or less distinct classes. In the first, execution of the law is placed in the hands of the central or government bank and in the second it is placed in the hands of a special *ad hoc* body, variously called a commission, committee, bureau, pool, or board. Exchange control is predominantly of the first type in Europe, administration of control resting with the central bank in Bulgaria, Czechoslovakia, Estonia, Germany, Greece, Hungary, Portugal, Rumania, and Turkey. Three countries of South America, namely Brazil, Ecuador, and Uruguay, also fall in this category. In the case of Brazil, administration was divided by the original decree (September 29, 1931) between the Bank of Brazil and a special

<sup>8</sup> Eli F. Hecksher, *The Continental System*, Oxford, Clarendon Press, 1922. Especially Part IV, ch. 2.

<sup>9</sup> Attempts to control exchange during the war, and a few of the attempts since, were chiefly directed toward increasing the supply of foreign exchange, whereas recent efforts have aimed at limiting the demand for foreign exchange. The effect upon trade is very different in the two cases, the former placing a premium on imports while the latter all too often approaches an embargo on imports.

commission created to assist in determining quotas and distribution dates. This commission was abolished two months later and its duties were transferred to the Bank of Brazil. In Austria, Latvia, and Yugoslavia, the administration of the exchange regulations is assigned to the central bank and certain authorized institutions.

Exchange control of the second type is most common in Latin America, being found in Argentina, Bolivia, Chile, Colombia, Nicaragua, Paraguay, and Uruguay. In Australia, Denmark, Spain, and Persia the exchange regulations are also administered by a special committee or bureau.<sup>10</sup> Even where a special exchange control agency exists, as in these countries, there is generally close coöperation with the central or government bank in administering the law. In Japan, the power to regulate exchange operations rests with the Finance Minister.

TABLE I. FOREIGN EXCHANGE RESTRICTIONS  
September 1, 1932

Legally established control of exchange			Unofficial control of exchange	Control abandoned
Most severe	Severe	Moderate		
Austria	Argentina	Australia	Italy	Finland
Bolivia	Denmark	India	Norway	Great Britain
Bulgaria	Nicaragua		Sweden	Lithuania
Chile	Paraguay		Venezuela	New Zealand
Colombia	Turkey			
Czechoslovakia	Uruguay			
Estonia	—			
Germany	Japan			
Greece				
Hungary				
Latvia				
Persia				
Rumania				
Spain				
Yugoslavia				
—				
Brazil				
Costa Rica				
Ecuador				
Portugal				

### *The Present Extent of Exchange Control*

The crisis of 1929 and the depression that followed aggravated an exchange situation that had long been insecure. The exchange position of many currencies, particularly the currencies of debtor countries, became unfavorable. While cases of exchange control had existed since the war,<sup>11</sup> the movement toward control of exchange and toward strengthen-

<sup>10</sup> Exchange control in New Zealand was in the hands of an Exchange Pool until abandonment of the measures at the end of June, 1932.

<sup>11</sup> A detailed record of war and post-war exchange control laws is given in International Financial Conference, Brussels, 1920, Paper no. 11, "Exchange Control." London, Harrison and Sons, 1920.

ing of existing restrictions became pronounced after 1929 and particularly after suspension of the gold standard by Great Britain in 1931.

For greater clearness the countries practising exchange control may be grouped according to the degree of control exercised.<sup>12</sup> This will at the same time indicate the extent of the practice.<sup>13</sup> The first, and much the largest, group includes those countries where the law requires all foreign exchange to be sold or offered for sale to the control agency. This provision obtains in Austria, Bulgaria, Czechoslovakia, Estonia, Germany, Greece, Hungary, Latvia, Spain, Yugoslavia, Persia,<sup>14</sup> Rumania, Bolivia, Chile, and Colombia.<sup>15</sup> In these countries sales of exchange are effected through the control body or through specified banks which act as agents. This monopoly of foreign exchange permits as rigid limitation of foreign exchange dealings as the authorities see fit to impose. Portugal requires that with minor exceptions, half of all foreign exchange acquired be surrendered to the Bank of Portugal; and permission must be obtained in order to purchase foreign exchange. In Ecuador from 80 to 100 per cent of all foreign drafts must be turned over to the central bank at the official rate. Many of these countries, as well as certain others, *e.g.*, Brazil and Costa Rica, attempt to fix the rate of exchange, and still others prescribe the limits within which exchange may be bought and sold.

The second group comprises a few countries which do not require that exchange pass through a designated control organization (though exchange dealings may have to be reported to it), but do require the permission of this body in order to purchase foreign exchange, except in small amounts. Where priority in granting this permission is not determined by law but is decided by the administrative agency, the actual severity of the control depends upon the strictness with which the administration exercises its power and may be, depending upon the country and upon the conditions prevailing at the time, severe or moderate. The countries where this type of control exists are Argentina, Den-

<sup>12</sup> The material for this classification is drawn chiefly from *The Board of Trade Journal*, London, H. M. Stationery Office; *The Commercial Intelligence Journal*, Ottawa, King's Printer, Government Printing Office; and *Foreign Financial News*. Of the latter publication, Special Circulars nos. 361, 365, 370 and 378, dated November 13, 1931, February 1, March 29, and June 30, 1932, respectively, deal exclusively with the exchange situation in different countries. Other issues give translations of exchange legislation enacted by different countries. See Table I for a summary of the classification given here.

<sup>13</sup> Certain colonies or dependencies impose exchange restrictions more or less similar to those in effect in the parent country. Among such cases are Angola, Iceland and Portuguese Guinea.

<sup>14</sup> The Persian exchange control commission was absorbed into a monopoly of all foreign trade operating through a system of permits.

<sup>15</sup> Russia, of course, exercises almost absolute control over foreign exchange transactions.

mark, Nicaragua, Paraguay, Turkey and Uruguay. In Japan the Finance Minister has the power to prohibit or restrict dealings in foreign exchange. This power does not seem to have been carried far as yet; but, potentially at least, it represents an extreme form of control.

The third group consists of India and Australia. In India sales of gold and sterling are limited to banks officially designated by the Governor General. These sales must be for "normal trade requirements and reasonable personal purposes."<sup>16</sup> Sales for financing imports of gold and silver and for speculative purposes are banned. Australia maintains an "exchange pool" the purpose of which is to enable the Commonwealth and state governments to meet overseas debt payments before the demands of commerce are accommodated.<sup>17</sup>

Besides exchange control legally established, unofficial restrictions exist in a fourth group of countries. In Norway there is informal and voluntary coöperation between the Central Bank and private banks in utilizing available exchange. Importers are limited to a certain percentage of the amount of foreign exchange used by them during a certain base period. This percentage varies with the nature of the goods to be imported; and, in the case of necessities, the full amount of exchange is sometimes granted. The banks have agreed to sell foreign exchange only to their own customers. A somewhat similar arrangement exists in Sweden whereby sales of exchange are limited to essential imports. In Italy, where the Minister of Finance has been authorized to exercise control of foreign exchange transactions but has not done so, an association of banking and financial interests has undertaken to limit exchange operations to "legitimate requirements." The purchase of foreign securities is restricted and other barriers are imposed to the export of capital. Venezuela has resorted to unofficial rationing of exchange through the banks during periods of stringency in the exchange market.<sup>18</sup>

After this extended list, it is a relief to observe that in a few countries exchange control has been abandoned. Upon suspending the gold standard October 12, 1931, Finland imposed exchange regulations but restored free trading in foreign exchange the following December. Lithuania took moderate steps to restrain capital export about the same time. On January 1, 1932, New Zealand established an exchange pool

<sup>16</sup> *Foreign Financial News*, Special Circular no. 378, p. 5.

<sup>17</sup> The Commonwealth Bank has undertaken to maintain certain prescribed rates of exchange on London and so doing appears to have held the price level in Australia out of line with foreign price levels for a considerable period of time with gravely disturbing results. (See A. S. J. Baster, A Note on Australian Exchange, *Economic Journal*, vol. xl, September, 1930, pp. 466-71.) Danger of this constitutes the strongest theoretical argument against exchange control. See below.

<sup>18</sup> *The Board of Trade Journal*, Jan. 7, 1932, p. 17.

having wide powers. Exports of merchandise were forbidden except under government license, and exporters were required to turn over to the pool all foreign exchange received. The termination of this pool was announced at the end of June, 1932. For over five months after suspension of the gold standard, Great Britain restricted sales of foreign exchange to the financing of "normal trade requirements" and certain other limited uses.<sup>19</sup> The Exchange Equalization Account announced in April, 1932, was designed merely to reduce exchange rate fluctuations and, since purchase or sale of foreign exchange is not directly restricted, is quite different from the other cases of control discussed here.<sup>20</sup>

The above list does not include countries where the exchange value of the currency is maintained at a fixed rate in accord with the provisions of an exchange standard.<sup>21</sup> While this constitutes control of exchange in a certain sense it is essentially different from the control herein discussed. Under exchange standards, foreign exchange is sold freely at the official rate, whereas exchange control of the type under discussion places a limitation upon the amount offered and discriminates as to the uses to which this exchange shall be applied.

#### *Further Provisions of Control Legislation*

Where exchange control is effected by adding, through borrowing or otherwise, to the supply of foreign exchange, it provides a stimulus to imports by giving the currency higher purchasing power abroad than at home. During the war this stimulus was largely offset by other factors, among them the limited amount of shipping available.<sup>22</sup> Similarly, although existing restrictions may support the foreign purchasing power of a currency, imports are not, by that fact, increased since the specific restrictions indicated effectively limit them.

But even when the goods concerned are admissible, the troubles of the foreign exporter are by no means at an end. Instead of granting sufficient foreign exchange to pay for the import in full, it is common to grant exchange in installments. In the case of Chile, for example, foreign exchange for a time was allotted at the rate of four per cent of the original amount of the obligation every two months. On this basis it would require over four years to obtain payment for the goods sold.

<sup>19</sup> This ruling was abrogated March 2, 1932.

<sup>20</sup> In Honduras, Peru, and Salvador control of exchange has not actually been established but the exchange market is in an unsettled condition and foreign exchange is not freely obtainable. Control of exchange was attempted by Peru in 1930 but was abandoned when the currency was stabilized and has not been restored.

<sup>21</sup> At one time it would have been sufficient to speak of the gold exchange standard but today currencies are tied to exchange of countries off the gold standard, particularly Great Britain, to as great an extent as to exchange of those on the gold standard.

<sup>22</sup> A. C. Pigou, "Some Problems of Foreign Exchange," *Economic Journal*, vol. xxx, December, 1920, pp. 460-72.



Obviously, such provisions impose a formidable barrier to financing the export through ordinary commercial banks. But the situation, in practice, is still further entangled. Each application for a four per cent installment required a review of the transaction *de novo*; and it was in the power of the commission at any time to transfer the transaction from the eligible to the ineligible list and by so doing entirely to suspend the allocation of foreign exchange in payment. In other cases the exchange law provides that no exchange will be granted to pay for imports until a certain length of time has elapsed from the date of the customs declaration.<sup>23</sup>

Another practice is to prescribe payment of the import partly in foreign and partly in domestic currency, restrictions being imposed on the use to be made of this latter portion. Again, foreign exchange is entirely refused for payment of the foreign obligation; but domestic currency, equivalent at the official rate of exchange to the debt owed, is deposited in "blocked accounts" within the country under an agreement to transfer the sum abroad when, in the opinion of the commission, the exchange situation makes this feasible.<sup>24</sup> This device has been particularly common in the case of obligations growing out of interest and dividend payments due abroad. The Hungarian exchange control law provides that these "blocked accounts" may only be used upon authorization of the National Bank and then only for living costs or business expenses in Hungary or for certain long-term investments. Similarly, deposits in "blocked accounts" in Germany can be used only for long-term investments within the country.<sup>25</sup>

Where such regulations as these prevail the foreign exporter finds himself beset with grave risks. He may be forced to extend a long credit to the importing country, so reducing his own operating resources. Moreover, he may be obliged to assume the added risks of an indefinite extension of the forced credit and of loss through possible depreciation of the local currency.<sup>26</sup>

These conditions give strong impetus to the emergence of a "black

<sup>23</sup> In Bulgaria the minimum period is three months. (*Commercial Intelligence Journal*, May 14, 1932, p. 821.)

<sup>24</sup> It is reported that France has considered prohibiting imports from certain countries unless the bills of exchange are expressed in the currency of the exporting country. (*Monitor Mercantil*, Rio de Janeiro, May 25, 1932.) Such a law might conceivably facilitate liquidation of some of the foreign purchasing power now immobilized in blocked accounts.

<sup>25</sup> *Foreign Financial News*, Special Circular no. 378, p. 3. Also see *Foreign Financial News*, European Financial Notes no. 127, p. 5, and *The Board of Trade Journal*, July 14, 1932, p. 49.

<sup>26</sup> *Bank of America Business Review*, San Francisco, Calif., June 15, 1932, p. 5. In Brazil, deposit is made in terms of local currency at a stipulated rate but at the time of transfer abroad the debtor in Brazil is required to make up any deficiency due to depreciation.

bourse" or bootleg exchange market where foreign exchange, which in one way or another has been withheld from the control agency, is sold for what it will bring. In view of the risks indicated above, many representatives of foreign interests have attempted to transfer their credit out of the country by whatever means offered, even though this involved considerable loss.

The individual exporting to a country exercising stringent control of exchange frequently is faced with the alternative of suspending sales to that country or of continuing to sell, on terms that will afford some degree of compensation for the risk, in the hope that the situation will improve. Possible precautions are indicated by resolutions recently passed by the Latin American Committee of the San Francisco Chamber of Commerce.

All pending and future collections of clients in Latin America payable in United States dollar exchange, entrusted to the banks for collection, should be settled on the following basis: Payable on maturity at the current type rate of exchange for drafts on San Francisco or New York. If exchange is not available, the banks may accept payment in local currency at the official rate of exchange and secure from the drawee an undertaking to the bank obligating himself to assume the difference in exchange between the official rate and the rate of exchange prevailing when remittance can be effected in sight draft on San Francisco or New York; also that he agree to pay interest from date of maturity of draft until date of remittance. Drafts are to be surrendered upon final release of exchange guarantee.<sup>27</sup>

Clearing or "compensation" agreements have been entered into by many countries, especially in Central Europe, which practice control of exchange as well as by certain others, *e.g.*, France, Netherlands, Poland, Switzerland, where exchange is not restricted.<sup>28</sup> Some of these agreements are of a more or less official character and provide that total imports from a particular country must be balanced by total exports to that country. The clearing operations are usually placed in the hands of the exchange control organization where such exists and elsewhere in the hands of the central bank or other public or semi-public organization. In France such transactions are cleared through the Paris Chamber of Commerce. Under this form of compensating agreement the importer is ordinarily unknown to the exporter who supplies the funds by which he is paid. In addition, private clearing arrangements have been made in a few instances. Under this plan, an importer and an exporter in each of two countries arrange for balancing specific export and import transactions within the trading countries. While compensat-

<sup>27</sup> *Bank of America Business Review*, June 15, 1932, p. 5.

<sup>28</sup> See *Commerce Reports*, February 1, 1932, pp. 220-22, for a discussion of clearing agreements.

ing agreements may encourage trade with particular countries, their importance is not apt to be great.<sup>29</sup>

A rather curious provision is contained in the exchange law of Denmark. Danish currency, checks, or drafts cannot be exported without official permission, despite the fact that such exports represent a loan, without interest, to the exporting country and are a most inexpensive means of increasing the supply of foreign exchange. While this provision appears to conflict with the aims of exchange control it may, perhaps, be justified as restricting the volume of short-term credits outstanding.<sup>30</sup>

### *Effect on Domestic Exports*

The usual effect of exchange control is quite certainly to retard exports. In the first place, to the extent that control of exchange imposes a barrier to imports, it limits exports by reducing the ability of foreigners to pay for them. A law enacted by Colombia October 21, 1931, is typical of another way in which control of exchange may restrict exports. This decree prohibited exports whose effect would be a net export of capital, such, for example, as would occur if the proceeds of an export operation were deposited abroad. Exporters had to guarantee, ordinarily by surrender of bills of exchange arising out of the transaction, that foreign exchange equivalent to the value of the goods exported would be restored to the country.<sup>31</sup> When the proceeds of the sale cannot be deposited abroad or used, as the exporter might prefer, in foreign transactions, the restrictions doubtless check exports by rendering exportation less attractive to the domestic trader.

Finally, exports are discouraged when the restrictive legislation maintains an artificially high value for the domestic currency. It is customary, for example, for the law to require surrender of the proceeds of export at a fixed rate in terms of the local currency. To the extent that

<sup>29</sup> This provision seems to be due in part to failure to appreciate that the mechanism of foreign exchange brings about a balancing of exports and imports, and in part to the belief that the arrangement will stimulate exports. This is, in point of fact, a variant of the quota system. It is interesting to observe that the quota system, which we are accustomed to regard as very modern, was in existence over 500 years ago. In 1390 every foreign merchant bringing goods to England was required to invest half the proceeds of his sales in English commodities. Twelve years later Parliament ordered all importers, whether English or foreign, to invest the whole proceeds in English goods for export, reserving only enough to cover necessary expenses. (MacPherson, *op. cit.*, pp. 602 and 613.)

<sup>30</sup> Somewhat similar provisions are embodied in the exchange control legislation of Austria, Estonia, Rumania, Spain, Sweden, and Uruguay. A usual explanation for prohibiting the export of currency is that it might be sold at a discount in foreign countries, so weakening faith in the currency at home and in other exchange markets.

<sup>31</sup> In some countries exports must be paid for in foreign currency and the proceeds sold to the National Bank.

the rate prescribed overvalues the local currency, as is usually the case, the effect is to raise the prices of commodities to foreign buyers relative to the prices that would otherwise prevail. As a consequence, exports are impeded.<sup>32</sup> The control committee in Argentina was authorized to fix such exchange rates as the members believed the market would bear, but it is not clear that they have succeeded in avoiding this restraint upon the export trade.

### *The Case against Exchange Control*

The case against exchange control rests primarily upon a consideration of the part exchange rates ordinarily play in the establishment of equilibrium between the price levels of different countries. It is an axiom of international trade that at any time the total payments currently due to and owed by any given country must be equal. A corollary is that disturbance in any one factor in the balance of payments of a country must lead to adjustments up or down in other items in the balance. This is the so-called "principle of promotion and detraction."

Adjustability of the various items such as gold, commodities, services, tourist expenditures, and loans depends upon the degree of sensitiveness to price changes and this in turn is largely dependent upon mobility. Gold meets these conditions almost perfectly. But gold, except for a few countries producing large quantities, is limited in amount, and even for gold-producing countries the amount available for export at any one time is more or less fixed. Credit is extremely mobile and at times is very sensitive to price changes. At other times, however, it is quite insensitive to price movements and may even respond perversely so as to exaggerate rather than relieve the condition of maladjustment. Commodities meet the tests of sensitiveness and mobility more satisfactorily than any other item except gold and are, moreover, less limited in amount, particularly over a long period of time. Goods, therefore, constitute the most important adjusting factor.

The importance of gold lies not so much in its ability to effect adjustments itself as in its ability, under gold-standard conditions, to facilitate adjustment through other items, particularly commodities, by altering price levels in gold standard countries. The seriousness of efforts to maintain artificial exchange rates and to prevent gold movements arises from the fact—and this is the crux of the whole matter—that they may prevent the establishment of a stable equilibrium between countries.

It is possible, of course, that artificial means may facilitate price-

<sup>32</sup> When Ecuador fixed the exchange rate for the sucre at \$0.0595, exporters are reported to have held back their purchases of cacao, with consequent embarrassment to farmers of the country. (*New York Times*, May 29, 1932, section 3, p. 8.)

level adjustments. The proper use of the central bank discount rate, for example, is to hasten expansion or contraction of credit and thus to facilitate adjustment of the price levels of one country to price levels abroad. The result of this is to reduce the amount of gold that must flow to or from a country.<sup>83</sup>

Both control of exchange and the use of the discount rate may aim at supporting the foreign exchange value of domestic currency, and both may have this effect. But this significant difference exists between the two: raising the discount rate permits the operation of the Bagehot principle; no one is arbitrarily excluded from obtaining funds, but those whose need and economic strength are the greatest are assured of accommodation by the very fact that the less urgent demand is excluded by the higher rate exacted. Exchange control, on the other hand, rests upon the arbitrary judgment of individuals and not upon the ruthless but selective action of market forces. There is no assurance that the economically strongest will not be eliminated and the weakest preserved. Use of the discount rate permits the guidance of comparative advantage, whereas exchange control substitutes arbitrary measures determined by other than economic considerations. While intelligent planning may conceivably be superior to the working of competitive forces, exchange regulations have generally been strongly tinctured with mercantilism, nationalism, and the selfish interest of influential individuals.

Exchange control, then, appears to have impeded rather than facilitated the establishment of international equilibrium. Disequilibrium in international price levels represents an unstable and unsettling condition and is undesirable for that reason. Of greater significance is the fact that it places a severe strain on the mechanism of international finance. Factors such as gold movements, which are accommodated to meeting a situation of temporary maladjustment, are called upon to meet a continuing state of maladjustment and the burden may be more than they are able to carry. Moreover, by allowing the maladjustment to continue, the ultimate establishment of equilibrium will probably be rendered just so much the more difficult. Control of foreign exchange by Australia in 1930-31 allowed the Australian price level to remain over 25 per cent out of line with the level in England which was itself relatively high. The severe financial difficulties of Australia were partly a result of the main-

<sup>83</sup> The discount rate has sometimes, on the other hand, served to counteract the effect of gold movements! It may happen, for example, that when prices are too high and gold is flowing out of a country, the discount rate instead of being raised is lowered because of the demand of business men for easier credit conditions. The tendency of gold exports to reduce prices is consequently nullified by the expansion of credit induced by the lower discount rate. Prices remain out of line with prices in foreign countries and the export of gold continues unchecked. Under such conditions, the discount rate also may be a disequilibrating influence.



tenance of this situation of disequilibrium.<sup>34</sup> The London *Economist* calls attention to a still more striking instance of the aggravation of maladjustment by exchange control:

A year ago it might have been possible to save the gold standard in countries like Austria and Hungary by a deflation of some 15 to 20 per cent. Today, owing to the relative rise of internal prices to world prices, the restoration of the old parity would require a deflation of 40 to 45 per cent, which is entirely outside the range of practical possibilities. Devaluation, therefore, has become the only policy open.<sup>35</sup>

The principal objection to exchange control, then, is that it is apt to create or perpetuate a condition of disequilibrium in international price levels. In addition, to the extent that exchange control protects certain industries, it is open to the familiar objections to a protective tariff: it may guide productive effort into less effective channels, counteracting the influence of comparative advantage; the most effective export industries are handicapped because the restrictions reduce foreign demand by reducing the means of payment and because they may be placed at a disadvantage in securing raw materials; the reduction in total trade limits specialization, and the unit cost of transacting a smaller volume of trade will probably be increased.

Certain other unfavorable influences of exchange control have been particularly noticeable in recent months. Forcing exports and resisting imports has exerted a depressing influence on commodity prices, usually injuring the very countries that impose the restrictions.<sup>36</sup> This constitutes a worsening of terms of trade as a result of the control of exchange.

Control of exchange has been partly responsible for the loss of the automatic character of gold as an international standard. One result of this has been a tendency to pile up gold reserves in excess of the requirements established by law or custom. Because central banks have lost confidence in the self-limiting character of gold movements they strive, in order to play safe, to accumulate stores of gold beyond what would once have been considered ample. This new and unnatural demand for gold has largely offset the economies effected in reserve requirements by banking reform since 1913, and is an important reason for the apparent shortage of gold at the present time and probably for the downward movement of prices since 1929.

The above discussion applies particularly to the control of exchange by countries on the gold standard. Similar measures have also been used by countries on a paper standard and the results have been es-

<sup>34</sup> Baster, *op. cit.*, pp. 468-70.

<sup>35</sup> May 28, 1932, p. 1173.

<sup>36</sup> J. H. Rogers, "Foreign Credits and International Trade," *Proceedings of the Academy of Political Science*, May 1932, p. 11.

essentially the same. Price-level adjustments under paper-standard conditions are ordinarily brought about by changes in the exchange rates only, rather than by the slower method of minor exchange rate movements, gold flow, expansion and contraction of currency and credit, and change in relative price levels. If exchange is allowed to move freely so that price levels can adjust themselves, the result will be to facilitate trade in both directions. Instead of this, the control of exchange has in many cases constituted a virtual embargo on trade. By protecting exchange, countries have practically prohibited trade. Control of the means, foreign exchange, has become so complete as to make the end, foreign trade, virtually impossible. World trade has been crippled and the ability to make payments on public and private debts has been greatly weakened. The effect on industry throughout the world has been hardly less serious. Control of exchange is, its critics allege, one of the major reasons for present international economic conditions.

### *The Case for Exchange Control*

Control of foreign exchange is frequently defended upon highly mercantilistic grounds. Since such arguments would appear to merit no consideration in this place, this analysis will confine itself to the arguments that possess some logical validity.<sup>27</sup>

In the first place, it is reasonable to maintain that a control commission may be able to decide better than the blind forces of competition to what imports, both visible and invisible, the existing stock of foreign exchange should be applied. Control of exchange is merely one aspect of the social control of business, one problem that a planned economy must meet. The weight this argument carries will depend upon one's attitude with regard to the relative effectiveness of social and competitive control of economic affairs. It is well to note, however, that in actual practice exchange control in recent years has not been conducted with the wisdom and foresight that this contention assumes. Instead, mercantilistic ideas have dominated, and particular interests have influenced, the policies followed.

In the second place, control of exchange may turn the terms of trade

<sup>27</sup> Among the reasons officially given to justify control of exchange we find the following:

1. To preserve governmental credit.
2. To protect foreign bondholders in certain central European countries. Mr. F. A. von Hayek states that control of foreign exchange has been the "result of advice, perhaps one should say request, of the representatives of foreign creditors." (*The Economist*, June 4, 1932, p. 1243.)
3. To provide exchange for essential imports.
4. To preserve central bank reserve ratios in the face of foreign withdrawals of funds and the flight of domestic capital.
5. To prevent the flight of capital.
6. To aid domestic industry by supplementing existing import restrictions.

in favor of the country imposing the restrictions in the way a duty on imports may do. Since exchange control frequently operates as a protective tariff, it follows that this or any other argument that holds for protection may be advanced in support of the restrictive type of exchange control. However, any gain from more favorable terms of trade will probably be more or less offset by the relative loss consequent upon the reduction in the volume of trade and in the extent of specialization. Of greatest importance in this connection is the consideration that measures that may turn the terms of trade in favor of a particular country are apt to lose their effect if the measures are generalized. When this happens the loss from the reduction in volume of trade is not compensated by a gain from more favorable terms of interchange. It follows that the wide resort to control of exchange leaves this argument, despite its logical validity, with very little practical significance.

In the third place, it is charged that the present impediments to trade oblige debtor countries to resort to control of foreign exchange. The vast accumulations of international debt since the war require large remittances to be made to the creditor countries. Since these countries have placed formidable barriers to payment in goods, gold, a commodity freely admitted in all countries, is attracted to such an extent that only by regulating the exchanges can a debtor country avoid being denuded of gold and having the foundation of the monetary structure completely undermined. The existence of short-term credits that may at any time be converted into immediate demand for exchange make it necessary, it is said, to safeguard the value of the currency and to protect the gold stocks by control of exchange. Implicit in this argument is the notion, strongly entwined with national pride, that the existing exchange quotation must, at all costs, be maintained. The orthodox reply is that the fundamental principles of the gold standard have not ceased to be valid. If currency and credit were contracted as gold was exported, the fall in prices would inevitably lead to increased commodity exports and reduced imports and would effectively stop the drain of gold. All that is needed, it is alleged, is fearless adherence to the basic rules of the gold standard.

Two objections to this orthodox line of reasoning are frequently advanced. It is argued, in the first place, that the practice of maintaining excess gold reserves has destroyed the automatic character of the gold standard, that is, that gold movements no longer govern the volume of currency and credit and consequently can no longer determine prices and trade currents. This contention disregards the fact that although what other countries do may alter the effect of gold movements on price levels abroad, so destroying the bilateral character of price adjustments, adjustment through domestic prices is still possible. This unilateral adjustment may be somewhat slower but it need be no less sure than the bilateral adjustment. Secondly, it is asked whether so severe

a price reaction as strict reliance on the price mechanism might require is justified. Is it not worth while to sacrifice the automatic regulatory action of gold movements in order to moderate the depressing influence on business of such contraction of currency and credit? It is apparent, however, that exchange control has not in practice made it possible to avoid falling prices. On the contrary, it may have aggravated this very movement. Moreover, a sharp downward movement of prices, such as unilateral adjustment might require in order to establish a stable equilibrium between internal and external prices, would in all probability be less painful than a protracted depression of prices such as has occurred.

Control of exchange, finally, may be sound policy in an emergency. During a panic, for example, this means of impeding the flight from a currency may mitigate the depressing influence of such a flight until calmer reason returns. Its use in such cases is to even out disturbing fluctuations of a temporary nature. It operates toward maintaining the long-run equilibrium position in the face of short-run disturbances, and not toward maintaining the domestic price level out of line with price levels abroad. The primary problem of exchange control, as of any other kind of price control, is to set a rate as near as possible to the level that would normally establish equilibrium between supply and demand even without control.<sup>38</sup> The significant difference between control of exchange in an emergency and the other cases considered is that the one is designed to hold the exchange rate at the long-run equilibrating level while the others serve to prevent this level from being established. The emergency use of exchange control should probably never extend beyond a few weeks. Thus the strongest argument for exchange control no longer applies since virtually all cases have now lost their temporary character.

#### *Is Exchange Control Compatible with the Gold Standard?*

In numerous cases, exchange control was inaugurated in an effort to avoid open abandonment of the gold standard. This was true for Germany and for other countries still nominally on a gold basis as well as for many countries that have since officially departed from the gold standard. When the gold standard is openly abandoned, exchange control is usually continued in order to limit depreciation of the local currency in terms of foreign money. In other cases the attempt to control exchange began with suspension of the gold standard and was presumably the resort of desperation, a device for avoiding greater depreciation than was absolutely necessary. The question arises, does exchange

<sup>38</sup> See my discussion of this principle in connection with the control of raw materials. *Government Control of Crude Rubber: The Stevenson Plan*, Princeton University Press, 1931, p. 179n.

control constitute abandonment of the gold standard by countries still professing to retain it?<sup>39</sup>

The accepted tests of the existence of a true gold standard are, first, the free export and import of gold whereby the commodity value of gold within the country is maintained at a level with the commodity value of gold abroad<sup>40</sup> and, second, free convertibility of gold into currency and of currency into gold, whereby the purchasing power of the currency is kept identical with the purchasing power of gold. According to these tests the restrictive type of exchange control, certainly in all but its most moderate forms, would seem to constitute abandonment of the gold standard. But it is possible that these tests are no longer valid, that they must be relegated to the past along with another traditional test of the gold standard, the free circulation of gold coins. If a country's currency is still quoted at par with gold, is it not on the gold standard, regardless of the means by which this quotation is maintained? In short, is not parity with gold proof of the gold standard whether or not the traditional tests are met?

Plausible as this contention appears, the answer, it would seem, must be in the negative. So long as there is not free redemption of currency in gold or its equivalent and free convertibility of gold or its equivalent into currency, the quotations between them are nominal only. The very fact that restrictions are imposed is strong evidence that these values are not equal, *i.e.*, that the currency is not actually at par in purchasing power rather than either above or below par.<sup>41</sup> It appears, then,

<sup>39</sup> For both these reasons, first, if possible to retain a nominal gold standard and, second, to limit depreciation after officially suspending the gold basis, the month following suspension of gold payments by Great Britain (September 21, 1931) saw enactment of new or more stringent exchange control measures in many countries throughout the world.

<sup>40</sup> This does not require absolute identity between the value of the currency and the value of gold throughout the world. The level of equal value is, perhaps, a path rather than a line, so that a certain movement between these values may occur before the forces operating to bring them together again are called into play. The exchange value even of gold may vary noticeably within the gold points without the direction of gold movements being changed. This reservation applies elsewhere when "equality" in value of currency and gold is discussed.

<sup>41</sup> Somewhat the same point is raised in the expression "a free gold standard." (I take it that this does not apply to the simple gold standard as distinguished from the gold exchange standard or the bullion standard but rather to the gold standard in any of its various forms unencumbered by any restrictions such as those embodied in exchange control.) The question may fairly be asked whether there is any other kind of gold standard than a "free" gold standard. It would seem that the standard ceases to be a gold standard when it ceases to be free. The extent to which the value of gold may be managed is irrelevant to this question. The gold standard obtains if the currency is maintained at equality with gold in the world markets. The value of gold in the world markets may be altered by national action, as Mr. Keynes alleges the United States and France have done, without abolishing the gold standard, so long as the currency is kept equal with this altered value of gold.



that exchange control is incompatible with the gold standard. Either the relative values of gold and of currency are unaffected by exchange control, in which case exchange control does not exist in any significant sense, or the value of currency relative to that of gold is altered by the restrictions, in which case a true gold standard no longer prevails.

### Conclusion

The popular appeal of exchange control rests, for the most part, on fundamentally unsound premises. The mercantilistic attitude toward precious metals is so ingrained that the claim that "exchange control is necessary to protect the gold reserves" is accepted as a satisfactory reason for imposing exchange restrictions. Just as fallaciously, the gold value of the currency has become, according to prevailing opinion, the index of national security, economic strength, and moral rectitude. The possibility of securing adjustment of the international value of currencies by the free movement of exchange rates without courting grave disaster is generally ignored. The public assumes, apparently, that even a minor depreciation of the currency relative to gold is a start on the *facilis descensus* that leads the way of the old German mark. And we are still obsessed with the idea that gold represents stable values.

Whatever the psychological attitudes responsible for exchange control and however valid the arguments advanced in defense, the weight of the case is clearly against exchange control as now practised. There is urgent need for a return to first principles of international trade and finance. This involves, in the first place, an appreciation of the two ways of establishing international equilibrium in price levels. We need to dispel the notion that only adjustment through gold movements is "sound" and that adjustment through major swings of the exchange rate is inherently undesirable. Attempts to avoid these exchange rate movements have paralyzed trade and perpetuated price level disharmony. Moreover, the view that the burden of foreign obligations is increased when the domestic currency depreciates is untenable.<sup>42</sup> The losses that might befall certain individuals if the currency were to depreciate are insignificant compared with those greater losses, characteristic of existing exchange control, that result from the crippling of trade and the constriction of economic activity. In the second place, where the gold standard still nominally obtains there is need to apply the basic principles of the gold standard. This means the free contraction and expansion of currency and credit in response to the export and import of gold. Gold reserves should be allowed to perform their proper func-

<sup>42</sup> See F. D. Graham, *The Fall in the Value of Silver and Its Consequences*, *The Journal of Political Economy*, August, 1931, pp. 455-57.

tion of "*fondo regulador*." In some cases this might lead to abandonment of the actual or nominal gold standard, but such a result would be far less of a calamity than the continuance of existing conditions. The third *desideratum* is a better understanding of the mechanism of foreign exchange. Present plans for direct barter between countries are a backward step in economic development. They represent an awkward and inefficient device for accomplishing on a limited scale such an exchange of goods against goods as is brought about automatically by foreign exchange operations.

A solution of the present situation is possible along either of two lines. If a country is determined to retain the gold standard, it must sooner or later secure the adjustment of its price level to price levels prevailing in the rest of the world. For countries that fear the loss of gold this means forcing internal prices down to a point where exports will be stimulated and imports will be checked without the need of such restrictions as are now imposed. To do this requires only adherence to the rules of the gold standard, specifically contraction of currency and credit as gold is exported. The process can, however, be facilitated by an enlightened discount policy. The necessary price adjustment would not be popular, and for this reason lack of courage on the part of legislators is probably as serious an obstacle as lack of knowledge, to the carrying out of the policy here outlined.

For those countries which are not so inseparably wedded to the gold standard another course of action is open. This is to allow the exchange value of the currency to move freely until it finds the level that can be maintained with no outside support. This will be the point where internal and external price levels are in adjustment. If the foreign exchange value of a particular currency can be maintained at its present level only by means of exchange control, then revaluation of the currency at a lower level is desirable and probably inevitable. Fear of continued depreciation is perhaps the principal obstacle to adoption of this policy but such a fear involves the entirely irrational supposition that a country must inflate its currency merely because the nominal exchange value declines.

Until countries face the necessity of establishing international equilibrium and, moreover, summon courage to pursue one or the other of the policies by which it can be attained—instead of straddling both without securing the benefits of either—we are not likely to see any substantial improvement in international economic affairs. Removal of exchange restrictions is implicit in both of these policies; and, furthermore, these are the surest means of rendering restrictions, for countries individually or collectively, entirely superfluous.

CHARLES R. WHITTLESEY

Princeton University

## THE TRANSFORMATION OF SOVIET TRADE UNIONS

Expansion in membership and marked changes in the scope of their activity have characterized the development of trade unions in the U.S.S.R. It has become evident that their rôle in a centrally managed national economy has required the surrender of their earlier claims to control over production. State organs have taken from them the determination of wage rates and have instituted schemes for increasing production and reducing labor turnover which the trade unions are forced to carry out. The resulting modifications in trade-union structure and function have not always been consistent, determined as they have been by fluctuations in Party policy and the exigencies of the developing Five-Year Plan. The increasing divergence between Soviet trade unions and those of capitalistic countries, especially in the activities which aim to protect the workers, are explained by the Communists as due chiefly to the absence of the "enemy party." The general program adopted has called forth the energy and enthusiasm of the workers to a remarkable degree.

The Soviet trade unions report a rapidly increasing membership which has already far outdistanced that of any other country. Since 1920, while the number of trade unionists in all other countries of industrial importance has been decreasing, the number in the Soviet Union has grown to three times the 1920 figure. At the ninth Congress of Trade Unions, held in Moscow in April, 1932, the membership was reported to be over sixteen and a half million.

This contrast might be advanced as proof that the Soviet trade unions are securely established in a favorable environment. It is contended, however, by trade unionists who belong to the majority groups in capitalist countries that the Soviet unions' change of function during this period of growth has been so complete that they have ceased to be trade unions in the sense in which the term is accepted in the western world. It is pointed out that since 1920 the Russian organizations have not only lost the political importance which they acquired at the beginning of the Revolution, but that they have subordinated their traditional function of protecting workers' interests to the newly accepted responsibility for stimulating labor productivity. They have lost their influence as parties to state planning of industry and have become agencies whose rôle is dictated by the requirements of economic planning. It is here proposed to examine recent trade-union history in the U.S.S.R. for the purpose of arriving at a clearer understanding of the present character of the movement.

The Soviet labor leaders not only agree with their critics in other countries that there are important distinctions to be made between trade unions in Soviet Russia and trade unions elsewhere, but also furnish abundant evidence of general and specific Soviet objectives which would be wholly unacceptable to workers in other countries. For example, in the spring of 1931 the trade-union press of Soviet Russia actually conducted a campaign for the restoration of the eight-hour day in the place of the seven-hour day then prevailing, and proposed that the

workers affected should put in the extra hour without remuneration.<sup>1</sup>

This campaign is an illustration of Soviet trade-union activities which contrast strongly with the struggle of American unions to change the piece-work basis to the week-work basis and to prevent the introduction of machinery which means a displacement of labor. So great a difference in emphasis is to be explained only by the Soviet trade unions' assumption of new functions and responsibilities. Their new rôle was described recently in an official publication in the following words:<sup>2</sup>

✓ The trade unions this year are giving special attention to increasing labor productivity, particularly through the extension of the system of piece work and graduated wage scales, to the introduction of labor-saving mechanical devices, and to the rationalization of methods of management.

The deliberations over collective agreements (known in Russia as *Koldogovors*) which are drawn up between the workers and the administrations of the Soviet industries reveal similar contrasts. In an interview with a trade-union representative which was reported in the *Moscow News* for March 23, 1932, when agreements were being negotiated which were to fix schedules until March, 1933, the trade unionist pointed out that:

✓ The peculiar feature of the Soviet collective agreement is the absence of the enemy party. . . . Here there is no enemy. No one tries to give as little as he can for as much as he can. This type of petty scheming belongs to a system relying on profits for its subsistence.

While plant administration exists as a factor in Soviet industry, in the final analysis it consists of the same workers who work in the plant itself. An agreement made by Soviet workers is in reality a promise they make to themselves and their fellow workers to fulfill certain self-determined conditions. No outside coercive power exists.

✓ This is the explanation given of the fact that the workers have bound themselves in these new agreements to increase the quantity and quality of production, to organize "cost-accounting brigades," and to put forth every effort for a higher type of work. The agreements also stipulate that each department shall be put on a self-paying basis, a provision which has in itself an effect on the amounts allotted in wages.

✓ The course of history since 1917 has been one of the trade unions' gradual but steady loss of their early share in the management of industry, and of corresponding gains by the government and by the organs of the Communist Party. Even in the early days the question of the extent of the unions' control in industry was a point of contention; but the fact is that in the beginning, at least, they had substantial pow-

<sup>1</sup> See *Trud*, May 27-31, 1931, and quotations from this paper in *Industrial and Labor Information*, June 22, 1931, p. 440.

<sup>2</sup> *Economic Review and the Soviet Union*, April 1, 1932, p. 157.

er.<sup>3</sup> When the Revolution broke, it was to the sound of this slogan, "Return the land to the peasants and the factories to the workers!" There were many instances of the workers' actually seizing the plants and attempting to operate them.

A decree issued on March 3, 1918, provided that factories abandoned by their owners were to be managed by a board composed of an equal number of workers, technicians and representatives of the Supreme Economic Council.<sup>4</sup> The trade-union leaders, many of whom had been revolutionary leaders, claimed that the whole system of production should be managed by the unions, with boards (rather than the single managers demanded by the government) in charge of the separate enterprises. A compromise was reached, and it was agreed that each enterprise should have a single manager who might be either a trade unionist or a technical man assisted by a trade-union official.

The results of workers' control on this basis proved highly unsatisfactory to the Supreme Economic Council. This body insisted that the factories belonged to the workers as a class, not to any particular group at work in any one of them, and that therefore central control was necessary and should rest with the Supreme Economic Council. Meanwhile the experience of the factories was showing that independent operation was not feasible on account of the workers' lack of technical knowledge and managerial experience. Nevertheless the factory committees organized by the trade unions continued to maintain that the final authority was theirs, and that they might reverse the decisions of the technical men whenever they thought best.

Probably the factory committees never fully expressed the will of the trade unionists they were supposed to represent. The voting for the members of the committees was by acclaim, and the candidates were always those put forward by the Communists. There was some resistance to Party domination, but it came to little. Within the Party, however, there was division. The "labor opposition" which came to a head in 1920 made it necessary to "reorganize" the trade unions in 1920 and 1921, so that the local trade-union committees could be depended upon for satisfactory majorities.

The introduction of the New Economic Policy in 1921 restored the importance of the capitalist employer and renewed the trade unions' need of protecting the workers in the contract relations. To a certain extent this necessity diverted them from the question of managerial control. An order providing for the constitution of the trusts, dated

<sup>3</sup> See the writer's "Trade Union Development in Soviet Russia," in the *American Economic Review*, December, 1923, pp. 618-637.

<sup>4</sup> International Labor Office, *The Trade Union Movement in Soviet Russia*, Geneva, 1927.



April 10, 1923, made no mention of trade unionists in connection with the nomination of directors. The claim of the trade unions for "workers' control" became less and less forceful. Finally the adoption of the Five-Year Plan in 1928 and 1929 introduced factors which profoundly changed both the form and the function of the trade unions. The plan involved highly centralized control of industry by the economic organs of government, and it left to the trade unions as their principal activity the stimulation of labor to further production.

Meanwhile the Party itself had been sharply divided over the theoretical aspect of the relation of the trade unions to the state. Three distinct policies were advocated. The first position, the one which Trotsky held when his influence was at its height, was that the trade unions should be made an integral part of the structure of the state, and used to provide disciplined workers and increase production. The second, which was defended by Tomsky until he was deprived of his position as head of the Trade Union Executive Committee in 1929, was that the trade unions should retain independence in order to represent the workers' interests, and should therefore be kept separate from the state. Still another position was held by the general line of the Communist Party, and it was inevitable that this last should prevail and should determine the position of the trade unions in the new state. The Party believed that the trade unions should not become part of the state (for reasons which will appear), but should pass under the control of the Party.<sup>5</sup>

As the Five-Year Plan gathered momentum the trade unions appeared more and more clearly as organs whose reasons for existence were to be found in the promotion of industrial production. There is little evidence that any independent rôle was exercised by them after 1929, even in the formation of labor policy. Their tasks, as described in their own organ, *Trud*, on September 29, 1929, were:

... to concentrate the attention of the working class upon the political and economic questions involved in the tasks laid down by the economic plan for 1929-30, on the necessity for increased individual output ... for stronger factory discipline, for a reduction of the cost of production ... for an improvement in the quality of products. ...<sup>6</sup>

Although the right to strike was theoretically retained by the workers, it actually vanished with the passing of private industry and the coming

<sup>5</sup>This policy is expressed in Communist terminology in a resolution passed at the Eleventh Party Congress (1922), the words of which, in all probability, are those of Lenin. This resolution declares that the trade unions "must be the closest and indispensable allies of the government which in turn in all its political and economic work gets instructions from the politically conscious vanguard of the working class—the Communist Party." (Quoted by E. T. Colton in *The X-Y-Z of Communism*, 1931, p. 156.)

<sup>6</sup>Quoted in *Wages and Conditions of Labor in the U.S.S.R.*, International Labor Office, 1930, p. 56.

of the Five-Year Plan. Since that time trade-union leaders have been bound, in effect, to label any stoppage of work of this kind with the dreaded word "counter-revolutionary," instead of giving support to the strike principle. Consequently, although dissatisfaction with working conditions, especially that caused by food shortages in the case of coal miners, has induced large numbers of workers to quit, these demonstrations have not had trade-union sanction.

The governmental policy which has determined the rôle of Soviet trade unions in recent months was expressed by Stalin on June 23, 1931, in his significant speech before a conference of industrial managers in Moscow. Stalin recognized the country's failure to increase output according to the requirements of the Five-Year Plan in such branches as coal mining and the metallurgical industries, and attributed this failure chiefly to poor labor discipline and management. It is perhaps significant that almost the only reference to trade unionists in this speech was to associate them with the directors who had made the "error" of "equalizing" wages. Management was charged with the responsibility of applying labor to production so that the program of industrialization might be realized on schedule time.

The formulation of the revised labor policy made by the general secretary of the Communist Party in this speech may be summarized in the following points:<sup>7</sup>

1. The organized selection of workers for industry. The industrial shortage must be met by contracts for the supply of labor between the industrial establishments and the collective farms and by a further mechanization of work.

2. Abolition of equal wages, and the substitution of payment to give an incentive for attracting skill and reducing labor turnover.

3. Establishment of labor discipline by making workers responsible for the machinery used and for the accomplishment of definite tasks. Because irresponsibility of the workers was a characteristic of the poorly organized shifts used on the five-day continuous week, a six-day week with a fixed rest day must be substituted temporarily.

4. Provision of additional engineering and managerial skill, to be secured not only from technical schools but from promoting workers in factories and mines and by promotion regardless of party membership.

5. A change in the attitude towards former bourgeois engineers and technical intelligentsia so that they could be attracted to work.

6. New sources of accumulation for funds needed to promote industrialization to be found in the new technical and machine industries and large-scale agriculture after the elimination of mismanagement and the introduction of economic accounting.

These six "conditions," Stalin concluded, demanded a reorganization of the system of management so as to give authority to a single manager

<sup>7</sup> A translation of this speech is given in the *Soviet Union Review*, July-August, 1931, pp. 146-154.

instead of a board or "collegium." This last point was especially significant for the trade unions, for in the early days of the Soviet power they had advocated and even practised group control. By 1929, however, they had accepted the principle and practise of individual management. On September 7, 1929, the trade union organ *Trud* declared:<sup>a</sup>

Trade unions now have the duty of putting into practice the principle of single control. They must actively support the heads of undertakings and insure that all workers carry out to the letter all orders issued by the management.

✓ Although the principle of a single manager with authority had been conceded for at least two years, it is characteristic of Soviet procedure that in 1931 Stalin should sound a new call to arms and make the gesture of offering a wholly new campaign. In this case, as in many others, the rousing words of the summons gave the workers the enthusiasm for a fresh start.

.. The labor policy of the Communist Party has been dictated by the changing needs of the industrialization program and has therefore been subject to repeated reversals or "zigzags," as Russians call them. At one time the "left equalization of wages" denounced by Stalin in 1931 as out of tune with the teachings of Marx and Lenin until a state of pure Communism should be reached<sup>b</sup> was good and orthodox Communism. The five-day continuous working week had scarcely been introduced in the factories before it was discarded over a wide area in favor of a six-day week with a common day of rest for all workers.

• Management in the hands of a board (*collegium*), once another point of orthodoxy with the Party, was superseded by management in the hands of an individual who could dismiss workers at will, with the authorization of Stalin in the speech of June 23, 1931:

As matters stand now, ten or fifteen people sit on collegiums writing papers and carrying on discussions. To continue to manage industry in this way is not possible. It is time for us to put a stop to paper "leadership" and get down to real businesslike Bolshevik work. Let the chairman and a few assistants remain at the head of the combinations. This will be quite enough to manage the work. The best thing for the other members of the collegium would be to go down into the shops and factories.

It proved to be difficult to establish independence for the manager even after it was seen to be a necessary factor in success, so strong was the custom of the workers to debate orders before carrying them out. The delay caused by these conferences was given the unique designation,

<sup>a</sup> Quoted in *Wages and Conditions of Labor in the U.S.S.R.*, International Labor Office, 1930, p. 25.

<sup>b</sup> For quotations from Stalin's speech of June 23, 1931, see the translation in the *Soviet Union Review* as cited above, or the translation in pamphlet form published by the John Day Company under the title, *The New Russian Policy* (June 23, 1931).

"interference by democratic meetingism." "Democratic meetingism" was finally included in the list of acts considered "counter-revolutionary" and punishable by extreme measures. When the great automobile factory at Nizhni-Novgorod ceased production in the spring of 1932, only three months after its opening, the failure was attributed to insubordination of this kind.

At the end of 1930 all undertakings were required to hire workers through employment offices (staff offices), but by September, 1931, they were permitted to hire directly.<sup>10</sup>

These measures and many more were criticized and altered in the light of their help or hindrance to the progress of the Five-Year Plan. Each shift of policy was clamped to Marxian orthodoxy with that zeal and astuteness of reasoning which has characterized many an American judge who has "found" an immutable principle of common law in revising an earlier decision. The difference is that when a change of principle is made in Soviet Russia the supporters of the doctrine which has just ceased to be orthodox pass at once into outer darkness. Thus Tomsky, formerly head of the Trade Union Executive Committee and a trusted Communist with a seat in the Politburo itself, lost both Party and trade-union prominence when he opposed the *tempo* of the program in 1929 as contrary to the interests of the workers; and he sank without a trace, until, in 1932, he appeared as head of the State Publishing Office.

Trade-union activities must be those and those only which promote rapid industrialization. To the extent to which they interfere with it—away with trade unions and trade-union leaders! The Communist position is, of course, that all these changes are made in the interest of the workers as a class, and that it is therefore just as much a proper function of the trade unions to promote production as to defend the interests of the workers in the old-fashioned manner.

The General Council of Trade Unions, acting in complete accord with Party policy as it was defined in 1931, set up "production sections" in a number of important trade unions. Their functions included the organization of "socialist competitions" and "advance guards" and the rationalization of labor. They were instructed also to take part in the regulation of wages by opposing all tendencies towards equalization and promoting the application of piece rates.<sup>11</sup> There had already been established (in 1929) disciplinary organizations called "production tribunals," composed of workers in the various undertakings, to deal with cases of labor discipline and impose penalties fixed by the trade unions.<sup>12</sup>

<sup>10</sup> *Industrial and Labor Information*, Feb. 9, 1931, pp. 164-5; Nov. 9, 1931, p. 221.

<sup>11</sup> *Industrial and Labor Information*, Nov. 23, 1931, p. 290.

<sup>12</sup> *Industrial and Labor Information*, Feb. 16, 1931, p. 199.

Orations and reports by trade-union leaders after Stalin's speech was made public in the summer of 1931, showed that the unions surrendered labor protection to the Commissariat of Labor, and that from that time forward their energies were devoted to developing labor productivity in every possible way. The "six conditions" of Stalin's speech were used as texts in countless minor trade-union meetings and at the Ninth Biennial Congress of Soviet Trade Unions held in Moscow in April, 1932.

The speech gave new sanction to the devices already used by the trade unions for spurring individual workers to new accomplishments. These devices fall into three groups: penalties and punishments set in order to secure better discipline; rewards offered to individuals for meritorious accomplishments; and—perhaps most important of all—the stimulus of what psychologists have called "social facilitation." This last comes from the consciousness of striving while others are striving, in the same place, at the same *tempo*, and with the sense of belonging to a group charged with a great mission.

The rewards and punishments are made doubly effective by group approval or disapproval, for the trade-union organization tries to make the individual worker feel the full pressure of the praise or blame of the workers in his union or his factory. The writer once asked a trade-union official in Moscow, a young railway worker, whether a certain comrade whose production was poor and who was often absent from work would be dropped from the union. "Not unless all cultural measures fail," he answered. In explanation, he described the steps which would be taken. First of all, attempts would be made to reëducate the erring comrade by explaining to him the importance of railway work in the task of transportation which faces the Soviet Union and jeopardizes the Five-Year Plan. If this brought no improvement, he would be taken before his comrade judges and they would reason with him, probably with results. If, however, their reasoning in turn failed of effect, he would be subjected to varying degrees of ostracism. When he went to the plant's retail shop to buy tobacco he would see his name posted up in big letters as one of those who had failed to do their part in their country's work. At this he could scarcely fail to feel shame. His son and daughter were Consomols (Young Communists) who would be appealed to. They would make their father feel that his failure to make a good worker had brought them disgrace.

If all these measures failed the worker would be dropped from the union. Then it would go hard with him, for he would not be "treated liberally" until his conduct changed. Loss of union membership would mean the loss of that card which brought, first of all, food; and, second, a host of privileges which were almost as important.

The "comrades' courts" which were to play their part in the dis-



ciplining of this laggard worker are courts in factories and shops whose members are elected by the workers. They are competent to hear all matters which, in the language of the decree establishing them, "reflect the meaner side of daily life." Their sittings are public. "Comradely pressure" is exerted either by "comradely admonition" or by the imposition of fines. Their decisions are final and not subject to appeal.<sup>13</sup>

Workers who have lost their jobs as the result of the investigation of a "purge commission" are likely to meet real hardship. The labor exchanges are directed to deal with them according to the category of wrongdoing to which they have been assigned by the commission. If their errors are considered extreme they are not to be allowed to go back to work until six months have passed. When they get work again it is almost sure to be at a less desirable place than their last. Another cause of removal from the register for six months is refusal to accept work for which one is specially qualified.

Some of the spontaneous and unofficial devices invented by the workers for their own castigation show a certain humor. A factory worker who has helped himself to an unauthorized vacation may return to the works to find his name on a cross over a new-made grave in the factory yard. The workers who roam from one factory to another are called "flyers." They are likely to see themselves caricatured with outspread wings in the factory newspapers.

The rewards offered to workers who are energetic and faithful include piece rates and bonuses. Every worker is made to understand that as a direct result of producing more and better goods he will receive high wages. He is also in line for material and honorary prizes, the chief of which go to the *udarniki* (shock workers), the pace setters of the industrial army, whose duty it is to show their fellow-workers how to work faster and more efficiently. "Shock brigades," or bands of *udarniki* who are pledged to use every effort to fulfill or to exceed the production plan have been extensively organized, and by the spring of 1932 it was reported that they included more than two-thirds of all industrial workers.<sup>14</sup> The very substantial perquisites of these brigadiers were set forth in a decree dated December 15, 1930, as follows:<sup>15</sup>

Priority in obtaining living accommodations;

Priority for their children for the vacancies in higher educational institutions;

<sup>13</sup> *Comrades' Courts in Factories and Mills and in State and Public Institutions*, Collection of Laws of the R.S.F.S.R., 1930, no. 4, chapter 52. Quoted in *A Selection of Documents Relative to the Labor Legislation in Force in the Union of Soviet Socialist Republics*, published by the British Foreign Office as *Russia No. 1* (1931).

<sup>14</sup> "Labor Conditions in the U.S.S.R.," *Economic Review of the Soviet Union*, April 1, 1932, p. 156.

<sup>15</sup> Great Britain, Foreign Office, *A Selection of Documents Relative to the Labor Legislation in Force in the Union of Soviet Socialist Republics*, 1931, p. 178.

Priority for vacancies in rest homes and sanatoria;  
Priority for better positions in other establishments and for study abroad;  
Priority for members of their families for employment in the establishments where the workers themselves are employed.

Material rewards, however, do not explain the enthusiastic participation of the masses in the production program. A worker upon whom the "Order of Lenin" or the "Order of the Red Banner of Labor" has been conferred has received satisfaction which money could not give. These, to be sure, are major honors; but a certain amount of prestige may be gained by having the reputation for a good work record. Moreover, there is special and keen enjoyment to be derived from working with a group, in a set *tempo*, on a performance which is to be applauded when it is finished.

Much of this squad work is done with a *verve* and finish which commands admiration. The writer witnessed such an incident in Moscow in 1931 when the city was striving to replace the ancient cobblestones of her streets with modern paving. With the startling suddenness of a ballet troupe taking the stage, the street beside the State Opera was filled with young men and girls wearing red bandannas who set to work to rip up the road bed. They had come from their regular day's work in the factory to speed up operations by removing the cobblestones. At once crowds gathered, moving picture cameras murmured, and reporters prepared the story for the morrow's press. The term for such extra effort is *subbotnik* (Saturday work), a term first used when the voluntary task was performed on the workers' Saturday half-holiday and retained now that the days of the week have disappeared from common speech and have been replaced by the days of the month. The trade unions promote such activities as these, and sometimes require participation in them. As a rule, however, they have the appearance of being genuinely spontaneous.

With the new emphasis on production, certain changes in the organization of the trade unions became necessary. On June 28, 1931, the General Council issued an order which was intended to bring about "a closer connection between trade-union policy and the requirements of production." By this order the following trade-union organs were set up in all large and medium-sized undertakings:<sup>16</sup>

a. *Trade-union groups*. These include all workers in the same unit of production. Production programs are discussed at group meetings and a trade-union organizer is responsible for the workers' attendance at these meetings.

b. *Shift committees*. These committees are set up in establishments where shifts are arranged on a permanent basis and where they include not less than 25 members. Each committee elects 10 organizers who deal with such subjects

<sup>16</sup> *Industrial and Labor Information*, August 10, 1931, pp. 197-198.

as production plans; wages and output; social activities; supplies (coöperative societies and restaurants); political and trade-union propaganda; and cultural activities.

c. *Shop committees.* These are formed in workshops which are not on a shift basis. Their work is similar to that of the shift committees.

d. *Workers' committees.* These are elected at the general meeting, and include a chairman, a treasurer, and 10 organizers with duties similar to those of the corresponding members of the shift committees.

e. *General meeting.* This is convened by the workers' committee four times a year or whenever one-third of the trade-union members demand it. A general production conference must also be convened by the workers' committee at least once a quarter.

It is in this way that the general structure of the 44 industrial trade unions has been modified and adapted to the needs of the Five-Year Plan. As the unions have surrendered their claim to control in the management of industry they have undergone a corresponding change of structure. They are now highly centralized, and there is correspondingly less opportunity for small groups and factions to make themselves felt.

Professor Calvin Hoover has pointed out the "compensation" for the decline of industrial democracy which the trade unions have been given by two features of the new program.<sup>17</sup> The first is the policy of electing to leadership in the trade unions men active in the Communist Party, and then selecting the administrative personnel for industry largely from the trade-union leaders. Thus the connection with the Party is kept close, and at the same time industry is staffed by men who have been trained in the trade-union movement.

The second compensation comes through the policy of having supervisory control over the administrative and technical staff exercised, not by the trade unions, but by workers in their individual capacities. This is done through the operations of the institution of the *chistka*, or "cleansing." The workers on the cleansing or purging commissions may call the technical and administrative staffs to account for their private lives as well as for their activities in the conduct of industry. The exercise of these powers is supposed to be a guarantee against the evils of bureaucracy. Incidentally it gives the manual workers a feeling of power and importance. The effect is that the manual workers, seeing their trade-union leaders become managers, and having themselves the power to check individual administrative officers, are not aware of the lack of a control which might have been exercised by their trade-union organization. It seems to matter very little that the check held by the workers against bureaucratic tendencies in the administration of an

<sup>17</sup> Calvin B. Hoover, *The Economic Life of Soviet Russia*, New York, 1931, pp. 262-3.

enterprise carries no shred of authority to alter the plans of the management.

At the same time that the earlier claim of the trade unions to a share in management has been disallowed completely, the economic organs have succeeded in shifting to the trade unions much of the onus of enforcing discipline. Trade-union leaders are sometimes removed on account of their failure to bring the work of their members up to the required standard of production. The trade unions' freedom to negotiate the basic conditions of pay has disappeared with the increase of wage regulation by the state organs. The state-employer has the upper hand and is able to determine wage and production programs.<sup>18</sup> Another major function of trade unions, that of protecting the worker in his claim to his job, has been greatly curtailed. Once the factory committee's consent was necessary for the discharge of a worker, but now the management may dismiss a worker without even asking the approval of the workers' committee.<sup>19</sup> In fact, in all matters regulated by trade agreements, the unions must be guided by the principles laid down by the Supreme Economic Council.<sup>20</sup>

The Soviet government's determination to reduce labor turnover as one of the obstacles to the speedy realization of the Five-Year Plan has resulted in a number of regulations which put unusual restrictions upon the workers' freedom of movement. On January 19, 1931, the Commissariat of Labor issued an order "providing that persons guilty of certain offenses should be regarded as criminal disorganizers of production or as deserters from employment."<sup>21</sup> Persons falling under this order include workers leaving an undertaking or state department without previous notice, those who leave before the expiration of their contracts, those who leave before the engagement of substitutes, and all workers who change their employment more than once in 12 months, probationers who leave before the expiry of the period of practical probation, and workers charged with breaches of labor discipline.

Apparently neither the trade unions nor the Commissariat of Labor can now interfere if the management of an establishment desires to transfer a worker against his will. A decree dated June 5, 1931, makes the following stipulations with respect to the transfer of workers:<sup>22</sup>

The power recently conferred on the officials of the Labor Commissariat of transferring skilled workers from one undertaking to another without their consent is extended to the managements of undertakings. Managements may in future transfer any worker to different employment in the same undertaking

<sup>18</sup> International Labor Office, *Annual Review*, 1931, p. 59.

<sup>19</sup> *Industrial and Labor Information*, Feb. 16, 1931, p. 199.

<sup>20</sup> International Labor Office, *Annual Review*, 1930, p. 482.

<sup>21</sup> *Industrial and Labor Information*, Feb. 9, 1931, p. 167.

<sup>22</sup> *Industrial and Labor Information*, June 22, 1931, pp. 440-1.

for a period of one month. Refusal to agree to such transfer is a serious breach of labor discipline, and the delinquent may be dismissed, thus losing the right to employment in industry, building or transport, for a period of six months.

The same decree abolished the existing restrictions on the length of night-work shifts and permitted them to be seven hours in establishments in which the seven-hour day was in force. It further provided that the payment of wages should be made before or after working hours so as not to interfere with production. It permitted a deduction up to 25 per cent of the workers' wage to cover loss or damage to tools or working clothes.

Finally, the trade unions have retained little responsibility for labor protection or social insurance. This change has been endorsed by the labor press which, instead of defending the standards of the Labor Code, has argued for setting them aside in the interest of production. For example, *Trud* is on record as urging the abolition of the strictions upon night work for women.<sup>23</sup>

The Soviet Union's elaborate system of social insurance has acted as an agent for the promotion of the Five-Year Plan by so distributing benefits that they furnish incentive for greater productivity. According to a decree dated June 23, 1931, daily allowances are higher for those who have remained two years or more in the same establishment.<sup>24</sup> No protest was made by the trade unions when, a labor shortage having developed, it was decided in October, 1930, to discontinue the payment of unemployment insurance benefits. In any case, the part played by the trade unions in the social insurance institutions is increasingly limited. The funds of the system were formerly administered by committees elected by the trade unions, but a decree of June 23, 1931, provides for the elimination of the committees:<sup>25</sup>

The benefits due to workers in state, coöperative and other public undertakings will in future be paid direct to the insured persons by the undertakings, which will deduct the amount of benefits paid from their contributions to insurance.

Until 1931 work for the trade-union organizations was done on the employers' time, as authorized by law. On March 25, 1931, however, a decree stipulated that such work thereafter was to be done as far as possible outside of working hours.<sup>26</sup> This ruling gives still another indication that less activity was expected of trade-union officials and that less importance was attributed to their work.

Membership in the trade unions still carries with it many advantages, -

<sup>23</sup> *Trud*, Dec. 10, 1930.

<sup>24</sup> *Industrial and Labor Information*, Sept. 28, 1931, p. 411.

<sup>25</sup> *Industrial and Labor Information*, Sept. 28, 1931, p. 411.

<sup>26</sup> *Industrial and Labor Information*, June 22, 1931, p. 442.



privileges and priorities which are not associated with trade-union membership in other countries. Moreover, since Soviet employment ex-  
 ✓ changes do not register non-unionists except under conditions which are difficult for them to meet, there is a direct relation between trade-union membership and the opportunity for employment. There are thus  
 ✓ several reasons for anticipating that membership will continue to increase and that the percentage of trade-union growth fixed by the Five-Year Plan will be fulfilled.

At the same time there is evidence that the workers have begun to tire of the frequent production conferences which they are required to attend, that it has been necessary to discipline absentees, and that in certain areas they are critical of the conditions under which they work. Mr. William H. Chamberlin has reported instances of discontent with the way in which trade-union officials represented or failed to represent the mine workers in the Donetz region.<sup>27</sup> He found the workers outspoken in condemning long hours of work and undesirable working conditions, and inclined to find fault with their leaders. He presents these as exceptions, however. The fact that conditions, no matter how bad, were slowly improving and that new avenues of self-expression were opening to the workers had the effect in general of preventing men from storing up their grievances.

✓ Undoubtedly the Communist Party has a problem in keeping its dictatorship over the trade unions and at the same time keeping alive the interest of the rank and file in the trade-union organization. The successive "purgings" and reorganizations to which the trade unions have been obliged to submit have been advanced as evidence that the Party has failed in its effort and that the workers have become apathetic before the country's "deadly formalism and bureaucracy."<sup>28</sup> But even if the workers' enthusiasm lags at times, it would be difficult to prove that the energy and loyalty of trade unionists in other countries compare favorably with it. It is certainly open to question whether the active group in the Soviet unions is not as large, proportionately, as in the American unions.

In function the contrast is greater. Sidney and Beatrice Webb have  
 ✓ defined the general purpose of trade unions as the maintenance and improvement of the conditions of the working lives of wage earners.<sup>29</sup>  
 • Shorter hours and higher pay have been so generally considered essentials of this improvement that an association which deliberately opposes these objectives would scarcely be recognized as a trade union in the western world. Soviet trade unions have shown this opposition,

<sup>27</sup> William H. Chamberlin, *Soviet Russia*, Boston, 1930, pp. 166-8.

<sup>28</sup> E. T. Colton, *The X-Y-Z of Communism*, New York, 1931, pp. 155-9.

<sup>29</sup> *History of Trade Unionism*, London, 1920, p. 1.

relinquished their control of industry, and abandoned much of their protective function.

The Soviet trade unions, however, claim a different theoretical basis from those of capitalist countries and have taken steps to formulate this basis with precision. When the Ninth Trade Union Congress met in April, 1932, it was voted that:

... the General Council should make a scientific study of the underlying principles of the trade-union movement in the light of the theories of Marx, Lenin and Stalin, and should draw up, in conjunction with the Communist Academy, a definite program of trade-union activities for the second Five-Year Plan.<sup>30</sup>

It is probable that in a field apart from purely economic activities the Soviet trade unions will keep a strong hold on their members. And it is conceivable that the Soviet organizations will pass from the picture as trade unions in the definition which students of trade unionism in other countries give the term. However that may be, the cultural and educational work which the unions have already accomplished is a guarantee of their significance in the future.

Perhaps no change brought about by the Soviet Revolution is more far-reaching than the substitution of the variety and resources of the present trade-union program for the dullness and monotony of workers' lives in Tsarist days. The workers' clubs, with their admirable facilities for recreation, sports, music, drama and study have actually created a new world for the worker. Something of the quality of that world, a quality significant for the future, is expressed in the comment of a not too-sympathetic critic:<sup>31</sup> "... Since all the manifestations of Soviet policy are inspired by a proletarian vitality, social life has found a fresh content."

AMY HEWES

*Mount Holyoke College*

<sup>30</sup> *Industrial and Labor Information*, July 11, 1932, p. 66.

<sup>31</sup> Hans von Eckhardt, *Russia*, New York, 1932, p. 443.

## THE REVENUE ACT OF 1932

The Treasury deficit resulting from the prolonged depression brought to the Congress of 1931-32 the problem of balancing the budget in order to maintain national credit. The annual report of the Treasury, submitted in December, 1931, stated actual and prospective deficits and proposed additional revenues and a reduction of expenditures to meet the situation. The report was supplemented by similar statements before the House Ways and Means Committee in January, 1932, and before the Senate Finance Committee in April, 1932, each successive estimate indicating larger deficits and lower yields from revenue measures.

The House Committee recommended increased income and estate taxes, added a gift tax and omitted the automobile tax, trying without success to substitute an excise tax on manufactures generally.

The Senate Committee recommended still further increases in income taxes and added import duties on certain raw materials. The most disputed measures concerned income taxes, sales taxes, direct *versus* indirect taxes on beer and protective tariffs on raw materials.

The Revenue act of 1932 is the result of an attempt to balance the federal budget and to maintain the national credit. The current depression had brought a Treasury deficit of \$900,000,000 for the fiscal year ending June 30, 1931, and threatened larger deficits for 1932 and 1933.

At the time of its passage,<sup>1</sup> the Treasury estimated that the new law would provide \$1,118,500,000 of revenue, in addition to \$1,250,000,000 expected from existing internal revenue taxes. The principal increases in revenue are expected to come from increased rates and administrative tightening of the income tax, from a great variety of manufacturers' and miscellaneous excises or sales taxes, and from increases in postal rates. Aside from the increased levies on incomes, the outstanding taxes from the standpoint of estimated revenue are postal increases and taxes on gasoline, automobiles and accessories, bank checks, brewers' wort, grape concentrates, and other materials used in making "bootleg" beer and other beverages.

The Treasury's estimates of yields are presented in Table I.

TABLE I

### SUMMARY OF THE REVENUE BILL AS AGREED UPON IN CONFERENCE

(Estimated additional revenue for fiscal year 1933, in millions of dollars.)<sup>1</sup>

#### *Title I, Income tax:*

##### Individual—

Normal tax rates, 4 per cent and 8 per cent, exemptions \$2,500 and \$1,000	63
Surtax rates, 1 per cent on net income in excess of \$6,000 to 55 per cent on net income in excess of \$1,000,000.....	88
No earned income credit.....	27

Total ..... 178

<sup>1</sup> *Congressional Record*, June 4, 1932, p. 12367.

<sup>2</sup> Approved June 6, 1932. Previous revenue acts under the Sixteenth Amendment to the Constitution have been discussed in this *Review* and are listed in the issue for September, 1928, vol. xviii, p. 428, footnote.

## Corporation—

Rate increased from 12 to 13¾ per cent.....	22
Exemption eliminated .....	16
Consolidated return, additional rate of ¾ of 1 per cent.....	3

Total ..... 41

Limitation of security losses and other changes, largely administrative..... 80

Title II, Estate tax<sup>2</sup>

Title III, Gift tax, rates of ¾ of 1 per cent to 33½ per cent<sup>3</sup>..... 5

## Title IV, Manufacturers' excise taxes:

Lubricating oil, 4 cents per gallon.....	33
Brewers' wort, 15 cents per gallon	82
Malt sirup, 3 cents per pound	
Grape concentrates, 20 cents per gal. }	
Imported gasoline, crude oil, etc.; coal, lumber, and copper.....	6.5
Tires and tubes, 2¼ and 4 cents per pound.....	33
Toilet preparations, 10 per cent except dentifrices; soaps, etc., 5 per cent..	13.5
Furs, 10 per cent .....	12
Jewelry, 10 per cent on amounts over \$3, plated silverware exempt.....	9
Passenger automobiles, 3 per cent; tires and tubes exempt.....	32
Trucks 2 per cent.....	3
Automobile parts and accessories, 2 per cent; tires and tubes exempt.....	7
Radio and phonograph equipment and accessories, 5 per cent.....	9
Mechanical refrigerators, 5 per cent.....	5
Sporting goods and cameras, 10 per cent.....	5
Firearms and shells, 10 per cent.....	2
Matches, wood, 2 cents per 1,000; paper, ½ cent per 1,000.....	4
Candy, 2 per cent.....	4
Chewing gum, 2 per cent.....	1
Soft drinks, various rates.....	7
Electrical energy, 3 per cent on sales for domestic and commercial purposes, payable by consumers.....	39
Gasoline, 1 cent per gallon.....	150

Total, Title IV..... 457.0

## Title V, Miscellaneous taxes:

Part I. Telephone, telegraph messages, etc., telephone, 10 cents, messages costing 50 cents to \$1; 15 cents, \$1 to \$2; 20 cents, \$2 and more; telegraph, 5 per cent; cable and radio, 10 cents.....	22.5
Part II. Admissions, 1 cent per 10 cents on admissions over 40 cents (educational and Olympic exemptions eliminated).....	42
Part III. Stamp taxes—	
Issues of bonds or capital stock, 10 cents per \$100.....	6.5
Transfers of stock, etc., 4 cents per \$100 par value, or 4 cents per share no par, 5 per cent for shares selling over \$20 (rates to apply to loans of stock).....	20
Transfers of bonds, etc., 4 cents per \$100 par value.....	5
Conveyances, 50 cents on \$100-\$500; 50 cents per \$500 in excess.....	8
Sales of products for future delivery, 5 cents per \$100.....	6
Part IV. Oil transported by pipe line, 4 per cent of charge.....	8
Part V. Leases of safe-deposit boxes, 10 per cent of rental.....	1
Part VI. Checks, 2 cents each.....	78
Part VII. Boats, various rates.....	.5

Total, Title V ..... 197.5

Total additional taxes..... 958.5

<sup>2</sup> Assuming collections, beginning after June 30, 1933.

<sup>3</sup> Assuming tax effective, beginning July 1, 1932.

<i>Title VIII</i> , Increased postage rates and other postal provisions, increase 1 cent in first-class postage; increase on second-class matter, etc.....	160
Total additional taxes and postal revenue.....	1,118.5

The adoption of the Act of 1932 made the following changes:

*Title I—Income Tax.*

The personal exemptions for individuals in the 1932 law are: \$1,000 for single persons; \$2,500 for husband and wife, and \$400 for each dependent. In the 1928 law these are \$1,500, \$3,500, and \$400, respectively.

The normal rates on net incomes of individuals under the 1932 law are 4 per cent on the first \$4,000 above exemptions and 8 per cent on the remainder. In the 1928 law the rates are: 1½ per cent on the first \$4,000; 3 per cent on the second \$4,000; and 5 per cent on the remainder.

A credit of 25 per cent is allowed in the case of "earned" incomes by the laws of 1924, 1926, and 1928, but this credit is eliminated from the 1932 law.

Surtax rates in the new law begin at 1 per cent on parts of income in excess of \$6,000 and increase by steps of 1 per cent on each \$2,000 bracket of income<sup>2</sup> until they reach 47 per cent on the \$98,000 to \$100,000 bracket. Thence the brackets increase in size and the maximum rate of 55 per cent is reached on amounts of net income in excess of \$1,000,000. In the 1928 law, surtax rates begin at 1 per cent on parts of net income in excess of \$10,000 and reach a maximum of 20 per cent on amounts in excess of \$100,000. In other words, the 1932 act provides for a maximum of 63 per cent (8 per cent normal and 55 per cent surtax) upon parts of individual net income in excess of \$1,000,000 as compared with 25 per cent (5 per cent normal and 20 per cent surtax) in the 1928 act.

Lower personal exemptions; the elimination of the "earned" income credit; decreases in allowable deductions, especially for security losses; and the tightening of administrative provisions, all tend to increase the income taxes even more than is indicated by the changes in rates.

The corporation income tax rate is changed from 12 per cent to 13¾ per cent. If a consolidated return is filed for affiliated corporations, the tax is to be 14½ per cent for 1932 and 1933. The exemption of \$3,000 allowed by the 1928 law to corporations with net incomes of \$25,000 or less is left out of the 1932 law.

*Title II—Additional Estate Tax.*

The estate tax exemption of the 1926 law was reduced from \$100,000 to \$50,000 and the levies increased all the way up until a maximum of

<sup>2</sup> Except that there is one \$4,000 bracket, \$32,000-\$36,000, rate 15 per cent.



45 per cent, instead of 20 per cent, is reached on the excess above \$10,000,000. The credit for state death taxes, up to a maximum of 80 per cent of the federal tax, is to be calculated as if the "additional estate tax" of the 1932 law had not been enacted. In other words, no credit for state death taxes is allowed against the new federal "additional estate tax."

Due to delay in closing estates, no additional revenue from this tax is estimated for the fiscal year 1933.

#### *Title III—Gift Tax.*

This is a tax primarily to prevent evasion of the estate tax. One may make gifts in a year, or over a series of years, up to a total of \$50,000 before becoming subject to this tax, and a gift of the first \$5,000 to a person in any year (other than future interests in property) is not to be included in the total amount of gifts for that year. The gift tax rates begin at  $\frac{3}{4}$  of 1 per cent upon net gifts of \$10,000 or less, in excess of the exemptions, and rise to 33 $\frac{1}{2}$  per cent on net gifts in excess of \$10,000,000. It will be observed that these rates are appreciably lower than those of the combined 1926 and 1932 estate taxes. The 1924 act provided for a gift tax with approximately the same rates and exemptions as the estate tax of that act. This tax was repealed by the 1926 act and not revived by the 1928 act.

#### *Title IV—Manufacturers' Excise Taxes.*

Practically none of these taxes are in the 1928 law. Most of them are revivals of war-time taxes, though a number of them are entirely new in federal legislation, notably the taxes on gasoline, electrical energy, and mechanical refrigerators. Notable also is the injection into this revenue bill of protective tariffs on oil, coal, copper, and lumber. Tariffs on these raw materials are new, except that lumber carries a \$1 duty in the Smoot-Hawley tariff. These protective or embargo duties are expected to yield very little revenue.

#### *Title V—Miscellaneous Taxes.*

Like the so-called manufacturers' excise taxes, these miscellaneous taxes are mostly revivals and modifications of war-time taxes. The outstanding revenue producer in this "title" is the tax on bank checks which has not been resorted to in this country since the Spanish-American War. The taxes on the transfers of stocks and upon produce futures are increases of existing rates. The taxes on the transfer of bonds and upon the transportation of oil by pipe line are new.

#### *Title VIII—Postal Rates.*

First-class letter postage is increased from 2 cents to 3 cents per ounce. Under the preceding law, postage on the advertising portions of second-class mail varied by zones from 2 cents to 7 cents per pound.

The 1932 law begins these rates at 2 cents for the first and second zones and extends them to a maximum of 10 cents per pound for the eighth zone.

#### *Other Titles.*

Titles VI, VII, and IX have to do mostly with administrative provisions. Title VI allows credits against estate taxes on account of the new gift taxes and contains various adjustments and "clarifying" amendments with respect to credits for state death taxes, future interests, dowers, deductions, liens, refunds, etc. Title VII aims to stop an important "leak" in the income tax and Title IX contains miscellaneous provisions.

#### *Dates Effective.*

The increased income taxes were made effective as of January 1, 1932. Most of the manufacturers' excises and some of the miscellaneous taxes took effect 15 days after the approval of the law (June 21) and the postal rates 30 days thereafter (July 6). Except as otherwise provided, the law took effect upon enactment.

The extra  $\frac{3}{4}$  of 1 per cent tax upon consolidated returns of affiliated corporations is limited to the taxable years 1932 and 1933, and many of the excise and miscellaneous taxes, as well as the increase in postal rates, expire July 1, 1934. The tax on gasoline expires June 30, 1933; and several taxes not expiring are reduced July 1, 1933 or 1934.

#### *Principal Contested Issues*

Having summarized the outstanding features of the new law, it may be of interest to consider the contests over the more controversial issues and the course of the tax measure through the two houses of Congress. Practically all of the contests simmered down to the usual question, "On whom shall the taxes be put?" Or, according to Senator LaFollette, "Who shall pay for the war?" But these basic questions were not usually stated so baldly.

The main contest was between the advocates of heavy income taxes on the one hand and the advocates of general sales or manufacturers' excise taxes on the other hand. A different point of view was represented by those who did not believe it was desirable to balance the budget during the panic but who advocated borrowing to the extent of billions for government needs, particularly for public works, bonuses, and relief purposes. There was also much pressure from the outside, especially from business interests, to reduce expenditures; but there was so much more pressure for aid to business and for direct or indirect aid to almost everybody that reductions of some expenditures were more than offset by increases elsewhere.

Most congressmen, however, followed the leaders who adopted the

Treasury's slogan of "Balance the Budget" and proceeded to provide the additional billion dollars of taxes estimated to be necessary. The monotony of the main contest between the income and sales tax advocates was relieved from time to time by repeated proposals of Senators Bingham (Connecticut) and Tydings (Maryland) to raise a major part of the requirements by a tax on beer. In fact, "Bingham and Beer" and Senator Tydings' "Beer and Bond" scheme were just as alliterative and more attractive to some than the Treasury's "Balance the Budget."

Some of the important discussions within the main fields of controversy may be mentioned. There was much objection to the Treasury's recommendation that the higher income taxes should apply to incomes of 1931 as well as to those of later years. While numerous senators and others argued that high taxes on large incomes would dry up capital and injure business, others, notably Senator Couzens, argued that they would be beneficial to business.

One of the hardest fought contests was over the extra taxation of corporate incomes when consolidated returns are filed. Another was over the subjection of corporate dividends to the normal income tax when received by individuals in view of the fact that the corporation pays a still higher income tax on the same income before distribution. The deductions allowed to insurance companies also caused more or less trouble.

The estate and gift taxes gave rise to less controversy than might have been expected, though the proposal for the revaluation of depreciated estates raised some interesting problems. The House provision for such revaluation was eliminated by the Senate.

The sales tax campaign involved skirmishes between advocates and opponents of different kinds of sales taxes as well as contests over sales taxes *versus* income or other taxes. The fights over taxes on automobiles, accessories, oil and gasoline and, particularly the battle over the tax on electrical energy, were among the sharpest of the session. The contest over the tax on admissions was long-drawn out, that over the tax on bank checks was quite important, and that over the increased taxes on transfers of securities and the sales of produce futures caused some heat.

One of the most prolonged, revealing, and disheartening contests was provoked by the injection of the protective tariff items into the revenue bill.

### *Treasury Receipts and Deficits*

In the *Annual Report of the Secretary of the Treasury*, submitted to Congress in December, 1931, Mr. Mellon reported actual and prospective deficits and proposed additional revenues, reduced expenditures, and further borrowing to meet the situation. Similar statements and proposals

were made later by him and Mr. Mills<sup>3</sup> before the House Ways and Means Committee (January 13, 1932) and also before the Senate Finance Committee (April 6, 1932). The economic and financial situation of the country appeared to deteriorate continuously during the entire period that the bill was under consideration by Congress so that the Treasury's successive estimates indicated larger and larger deficits and lower and lower yields from existing and proposed revenue measures. Measures that were considered adequate in December were deemed inadequate in January, and even more inadequate in April and June.

TABLE II  
FEDERAL GOVERNMENT RECEIPTS—ACTUAL FOR 1929, 1930, AND 1931, AND ESTIMATES FOR 1932 AND 1933<sup>1</sup>  
(In millions of dollars)

Source	1929 (actual)	1930 (actual)	1931 (actual)	1932 (estimated)	1933 (estimated)
Internal revenue:					
Corporation income tax.....	\$1,075	\$1,118	\$892	\$517	\$392
Individual income tax.....	1,019	1,061	730	339	275
Back income taxes.....	237	232	239	220	210
Miscellaneous.....	607	628	569	526	530
Customs.....	602	587	378	375	430
Miscellaneous receipts.....	493	552	509	265	528
Total receipts.....	\$4,033	\$4,178	\$3,317	\$2,242	\$2,375
Expenditures.....	\$3,848	\$3,994	\$4,219	\$4,482	\$4,113
Surplus.....	185	184	.....	.....	.....
Deficit.....	.....	.....	902	2,240	1,738

<sup>1</sup> Report of the Committee on Ways and Means on the Revenue bill of 1932 (H.R. 10236), 72nd Cong., 1st Session, H.R. Rept. 708, p. 3 (March 8, 1932). Estimates for 1932 and 1933 are the latest estimates of the Treasury submitted to the committee in February and are lower than the December estimates.

### *Treasury Revenue Proposals*

Following are the chief revenue proposals made by Secretary Mellon to meet the situation. They represent a return to approximately the tax rates of the Act of 1924, though there are many departures from the provisions of that act. The summaries given in preceding pages will enable the reader to compare these proposals with the existing law (Act of 1928) and also with the measures enacted (Act of 1932).<sup>4</sup>

*Individual income tax.*—Normal rates 2, 4, and 6 per cent; surtax rates beginning at 1 per cent with incomes over \$10,000, graduated up to 37 per cent on incomes between \$100,000 and \$200,000, and reach-

<sup>3</sup> Mr. Ogden L. Mills of New York was Undersecretary of the Treasury until the resignation of Mr. Mellon, February 3, 1932, when Mr. Mills was appointed Secretary of the Treasury.

<sup>4</sup> *Annual Report of the Secretary of the Treasury, 1931*, pp. 29-32. The accompanying statement of the Secretary's proposals is composed of direct and paraphrased quotations for the most part.

ing 40 per cent on incomes in excess of \$500,000. Personal exemptions to be fixed at \$1,000, \$2,500, and \$400 for single person, husband and wife, and dependent, respectively. The earned income credit of the Act of 1928 to be continued.

*Corporation income tax.*—Rates to be increased from 12 to 12½ per cent; \$3,000 exemption permitted domestic corporations with net incomes of \$25,000 or less to be eliminated.

*Miscellaneous taxes.*—"An increase of one-sixth in the present rates on tobacco manufactures and products except cigars; an increase of 1

TABLE III

SUMMARY OF ESTIMATED ADDITIONAL REVENUE FROM TREASURY REVENUE PROPOSALS  
(In millions of dollars)<sup>1</sup>

Tax on	Estimated additional revenue, fiscal year	
	1932 <sup>2</sup>	1933
Corporation income.....	27 <sup>3</sup>	60
Individual income.....	83 <sup>3</sup>	185
Estates (supertax).....	...	11 <sup>4</sup>
Tobacco manufactures.....	29	58
Small cigarettes.....	(25)	(51)
Tobacco, smoking and chewing, and snuff.....	(4)	(7)
Conveyances of realty.....	6	15
Capital stock sales or transfers.....	5	15
Automobiles and accessories.....	40	121
Passenger automobiles.....	(27)	(90)
Trucks.....	(3)	(7)
Accessories.....	(10)	(24)
Admissions.....	56	135
Radio and phonograph (equipment and accessories).....	7	20
Telephone and telegraph messages.....	25	55
Checks and drafts.....	37	95
Total taxes.....	315	770
Increased postal revenue.....	75 <sup>3</sup>	150
	390 <sup>2</sup>	920

<sup>1</sup> *Revenue Revision, 1932*, Hearings before the Committee on Ways and Means, 72nd Cong., 1st Session, p. 9, (January 13, 1932).

<sup>2</sup> Estimates assume increased rates January 1, 1932.

<sup>3</sup> Increase effective for collections during last half of fiscal year only.

<sup>4</sup> New rates, assumed effective January 1, 1932, will not affect collections until January 1, 1932.

cent in the existing stamp tax upon sales or transfers of capital stock; extension of the present tax upon admissions through the reduction of the present exemption to 10 cents; a tax on manufacturers' sales of automobiles, trucks, and accessories at 5, 3, and 2½ per cent, respectively; a stamp tax on conveyances of realty of 50 cents for each \$500 of value in excess of \$100; a tax of 5 per cent on manufacturers' sales of radio and phonograph equipment and accessories; a stamp tax of 2 cents on each



check and draft; and a tax on telephone, telegraph, cable, and radio messages of 5 cents for charges in amounts of 14 to 50 cents, and 10 cents for charges in excess of 50 cents."

*Estate tax.*—Return to the rates and exemptions of the acts of 1918 and 1921. Net estate taxes graduated from 1 per cent on the first \$50,000 (after an exemption of \$50,000) up to 25 per cent on amounts in excess of \$10,000,000. Credit for state death taxes to continue as in existing law but not to apply to additional taxes raised by suggested changes in rates and exemptions.

*Postal revenues.*—Increases in postal rates (which ones not specified) to cover deficiencies, estimated at \$150,000,000 annually.

TABLE IV  
THE TREASURY'S ESTIMATED BUDGETS FOR THE FISCAL YEARS 1932 AND 1933, AS AFFECTED BY ITS REVENUE PROPOSALS<sup>1</sup>

	Estimates (in millions of dollars)	
	1932	1933
Receipts.....	\$2,359	\$2,696
Expenditures.....	4,482	4,113
Deficit.....	2,123	1,417
Less additional receipts from proposed revenue measures.....	390	920
Deficit after provision of additional revenue.....	1,733	497
Statutory debt retirements.....	412	497
Increase in the public debt.....	1,321	.....

<sup>1</sup> *Annual Report of the Secretary of the Treasury, 1931, p. 32.*

The Treasury contemplated applying increased income taxes to incomes of 1931 on which most taxes would be payable in 1932. Most of the sales and miscellaneous taxes, however, could not affect transactions made prior to the passage of the law and hence would have little effect upon Treasury receipts for the fiscal year ending June 30, 1932.

### *The Bill in the House of Representatives*

The House refused to apply the increased income taxes to incomes of 1931 but raised the rates, particularly those on large individual incomes and also those on corporations, to somewhat higher figures than those recommended by the Treasury. The House Ways and Means Committee recommended further increases in the estate taxes, added the gift tax section, increased the exemptions on admissions, increased the tax on transfers of stocks, and added taxes on lubricating oil and on materials used in the making of illicit beer and other beverages. The Committee also put rather severe limitations upon the allowance of losses from the sale

of securities as a deduction in computing net income. Some of the best work of the Committee, perhaps, consisted of administrative changes to check evasions, as recommended by the Treasury. Not so commendable was its injection into the revenue bill of a protective tariff on crude oil and its derivatives. In this connection it may be recalled that the House organization was controlled by the Democrats who had a narrow margin in that body while the Senate organization was controlled by the Republicans, who had an even smaller majority, in fact, a majority that was always threatened by the insurgent or Progressive group.

The most notable departure which the Ways and Means Committee made from the Treasury's proposals was the omission of most of the latter's suggested automobile and other excise and miscellaneous taxes and the substitution of an excise of  $2\frac{1}{4}$  per cent upon manufacturers generally. It was estimated that this would yield \$595,000,000, more than half of the total of the Committee's bill. The Committee had held very extended hearings, the report of which covered 1,237 closely printed pages; and it had listened to the automobile people and to hundreds of other objectors to the Treasury's proposals. Treasury officials and former officials had talked against general sales taxes and in particular of the disadvantages of the Canadian excises for this country; but the Treasury and others had seen to it that the Committee had a chance to hear of the advantages as well as of the disadvantages of Canada's system of licensing through which pyramiding of sales taxes is prevented or limited.

The result was reported as follows by the Committee itself:<sup>5</sup>

After the increases in the income and estate taxes were tentatively agreed to by your committee, it was faced with the necessity of raising an additional \$1,073,000,000. Exhaustive hearings were held, and it is believed that every conceivable source of revenue was investigated and considered. A great many special taxes at comparatively high rates upon selected industries, such as the automobile industry, the power industry, etc., were considered. In each case the representatives of the industry appeared before the committee and made convincing arguments showing the unjust discriminations which would result from such taxes. After careful consideration your committee concluded to abandon this source of revenue and look elsewhere.

Your committee recommends that as a temporary measure to last only during the period of the present emergency, a manufacturers' excise tax at a rate of  $2\frac{1}{4}$  per cent be levied upon all manufactured articles with a few specified exemptions, including an exemption of farmers and of staple food products, and an exemption of small manufacturers. Such a tax will produce, it is estimated, \$595,000,000 of revenue for the fiscal year 1933, and it is believed that this tax is an essential part of any program to balance the budget for that year.

<sup>5</sup> *Report of Committee on Ways and Means, 72nd Cong., 1st Session, H.R. Rept. no. 708, p. 8.*

Representative Crisp of Georgia, in charge of the bill, said that the manufacturers' excise as proposed "exempted all farm products, fertilizers, foods, raw products, wearing apparel, medicines, and farm implements, and so far as the average man is concerned, it was a luxury tax."<sup>6</sup> It was, nevertheless, voted down by the House on two occasions by majorities of 70. The opposition was led by the representatives of labor and agriculture who contended that sales taxes are passed on to consumers generally instead of falling principally upon those most able to pay taxes.

As a result of this debacle in the House, which greatly embarrassed its leaders, this body was forced to return to some of Mr. Mellon's proposals which its committee had rejected. Some of these were adopted in modified form; other sales taxes which he had not suggested were approved also, as were numerous other provisions. It is, however, probably not stating the matter too strongly to say that the House was thrown into such confusion over the rejection of its Committee's main revenue proposal that the task of writing the new bill was, in effect, turned over to the Senate.

#### *The Bill in the Senate<sup>7</sup>*

The Senate was expected to prune away some of the excesses of the House bill. It did this in some cases, but the continued general economic deterioration, the growth of deficits, actual and prospective, and the consequent need for still more revenue forced the Senate to adopt higher income and other taxes than the House had approved.

The Senate Finance Committee took its cue from the action of the House, as well as from previous experience with other sales tax proposals in the Senate, and omitted proposals for *general* sales and manufacturers' excise taxes. This showed restraint on the part of Chairman Smoot (Utah) who has a long record for supporting such taxes both in season and out of season. The Senate Committee even eliminated many of the excise taxes contained in the House bill, such as those on toilet preparations, furs, jewelry, yachts, and motor boats, mechanical refrigerators, sporting goods and cameras, firearms and shells, matches, candy, and soft drinks. Most of these taxes were restored later by the conference committee. The other main changes in the House bill recommended by the Senate Committee were further increases in income taxes upon both individuals and corporations but elimination of the extra tax on corporations filing consolidated returns and the elimination of the normal income

<sup>6</sup> *Congressional Record*, June 4, 1932, p. 12366.

<sup>7</sup> The bill had been introduced into the House March 7 after hearings extending from January 13 to February 4. It was introduced into the Senate April 4; hearings were held by the Finance Committee from April 6 to 21 (1445 closely printed pages reported), and the Committee bill was reported to the Senate with amendments on May 9. It will be recalled that final passage and approval by the President came on June 6.

tax upon corporate dividends paid out of earnings already taxed to the corporation; and the addition of protective import duties on lumber, copper, and rubber.<sup>8</sup> The House had already adopted such duties on oil and coal.

It was charged on the floor of the Senate and elsewhere that the bill reported by the committee was really not the committee bill but that of Secretary Mills; that he had "dominated" the committee and forced it to change the bill materially after the committee's bill had been completed. Senator Couzens (Michigan) charged that when the Committee agreed on the bill Thursday night (May 5) the chairman was angry and threatened to call in the Secretary of the Treasury; that Secretary Mills rushed over Friday morning before he (Couzens) could get there and in 30 minutes he had "browbeat" the Committee and made it undo the work of three weeks. Senator Couzens seemed especially provoked at Mr. Mills for insisting upon lower taxes on incomes, higher taxes on the automobile and allied industries, and smaller exemptions on admissions to movie theaters.

Other senators confirmed Senator Couzens' charges, though in somewhat milder language. Senator Connally (Texas), author of the amendment that put in the high income tax rates of the 1921 act, the rates that were finally adopted, and the rates to which Mr. Mills made strenuous objection, explained that Mr. Mills thought these rates would dry up the sources of capital investment and retard the return to prosperity. He was similarly charitable towards Mr. Mills's demands for changes in the admissions, death, rubber, and other taxes. He said the members of the Senate Finance Committee were weary; that they knew the bill was a "hodge-podge" anyway. If Mr. Mills wanted to father the bill, if the White House wanted to adopt it as an administration measure, then the Senate Committee was willing for it to do so and to take the responsibility for it. If the committee resisted, the President would try to array the country against Congress.<sup>9</sup>

Only four of the committee held out against Secretary Mills.<sup>10</sup>

### *Income Tax Discussions*

After the bill was reported to the Senate with the committee amendments, Senator Couzens continued as one of the leaders in opposing higher taxes on automobile and allied industries and in proposing higher taxes on incomes. He offered an amendment substituting the 1918 exemptions

<sup>8</sup> *Congressional Record*, May 13 and 14, 1932, p. 10465-66, 10674-96.

<sup>9</sup> *Congressional Record*, May 16, 1932, p. 10686-92.

<sup>10</sup> The Senate Finance Committee has 20 members; Mr. Couzens states that he was necessarily 30 minutes late and in this time the Secretary had given his orders and the committee had acquiesced in them. It is not known to the writer how many other committee members were absent.

and rates for individual incomes and suggested 18 per cent upon corporate incomes. It will be recalled that the highest rates in our history were in the War Revenue act of 1918. He said that his proposal would widen the tax base by including almost three times as many taxpayers as the 1928 act (7,125,035 compared with 2,711,535); would raise \$330,000,000 more than the committee's bill; and would permit the elimination of the excise taxes.

TABLE V  
YEARLY COMPARISON OF TAXPAYERS IN INCOME CLASS OF \$250,000 AND UP; ALSO SHOWING  
TOTAL TAXPAYERS<sup>1</sup>

Net income class (thousands of dollars)	1925	1926	1927	1928	1929
\$250 and under \$300...	537	525	645	963	954
300 " " 400...	562	576	755	1,181	1,023
400 " " 500...	330	316	386	575	618
500 " " 750...	340	325	384	685	687
750 " " 1,000...	139	143	173	298	289
1,000 " " 1,500...	104	117	138	248	234
1,500 " " 2,000...	43	43	56	108	123
2,000 " " 3,000...	29	34	55	91	67
3,000 " " 4,000...	15	14	22	20	32
4,000 " " 5,000...	9	9	8	18	19
5,000 " over.....	7	14	11	26	38
Total taxpayers in above class.....	2,115	2,116	2,633	4,218	4,084
Taxpayers in class from \$1,000 to \$250,000...	2,499,051	2,468,874	2,438,318	2,518,850	2,453,965
Total taxpayers.....	2,501,166	2,470,990	2,440,941	2,523,063	2,458,049

<sup>1</sup> *Congressional Record*, May 16, 1932, p. 10693.

Senator Couzens argued that the 1918 rates on incomes would not hurt business so much as heavy sales taxes; that there is already a great excess of plant capacity in the country and that there will be for decades to come; that what business needs is sales rather than more capital and that it would be good business if surplus incomes were taken by the government and spent for public works, schools, parks, art museums, etc., instead of being left with corporations to overbuild plant capacity. To meet the arguments about driving capital into tax exempt securities by high surtaxes he made an investigation of all the estates reported to the Treasury Department after September 1, 1928. There were 285 estates having inventories of \$3,000,000 or more each. They aggregated \$2,700,172,619 and contained only \$318,249,000 of tax exempts (11.78 per cent). Taking all estates, both below and above \$3,000,000, only 5.65 per cent of the total inventories were in tax exempt securities. One estate of \$135,440,000 did not contain a single tax exempt. The bulk of tax exempts are held by insurance companies, fiduciaries, and others. No tax would be derived from them regardless of the tax exempt feature.



Senators LaFollette, Dill, Cohen, Norris and others spoke in favor of the 1918 rates; Senator Connally and various others favored the 1921 and other high rates. Congressman LaGuardia, Senator Long, and a few others—including representatives of agriculture, labor, and others at the hearings—advocated very heavy rates to distribute wealth as well as to raise revenue. The Couzens amendment containing the 1918 rates was rejected, 31-49; the Connally amendment containing the 1921 rates was rejected, 31-46 (May 17); but later was adopted, 86-3 (May 31), just before the President's personal visit and emergency plea to the Senate.<sup>11</sup>

### *Sales Taxes*

It has been mentioned that the hardest contests were over income and sales taxes. If enough could be raised from income and other taxes, sales taxes would not be necessary, and vice versa. But if sales taxes were levied, should they be general and at moderate rates or should they apply to only a few selected industries at high rates? In the latter case, what industries should be selected?

Although Senator LaFollette stated that in 1921 and later Secretary Mellon had advocated the abolition of income and estate taxes and the substitution of a general sales tax as an ideal system, the Treasury did not at this time include such taxes in its published proposals. Instead it recommended a return to higher income and estate taxes than those in existing law, and it recommended also taxes on sales of automobiles, accessories, and a few other selected commodities and transactions.

The automobile interests resented the suggested discrimination against their industry and the representatives and senators from Michigan attacked the Treasury, opposed the special taxes on automobiles and allied industries, and urged high rates on incomes, as has been indicated in the preceding section. Senator Couzens went so far as to say, "The antagonism of the Secretary of the Treasury and his predecessor [to the automobile industry] is due to the fact that it is the only major industry in the United States that they have not been able to control. . . . New York financial interests, and Mr. Mills and his predecessors controlled and operated and dominated the railroads. . . . That is the reason why for years and years the Treasury Department, no matter by whom officered, has been antagonistic to the motor industry."<sup>12</sup> Senator Vandenberg (Michigan) said that Mr. Mills testified October 31 that he urged automobile taxes as an indirect way of assisting the railroads.<sup>13</sup> He argued vigorously against the tax on automobiles as "a tax against recaptured prosperity" and "in violation of every motive and objective to which the

<sup>11</sup> *Congressional Record*, May 2, 13, 16, 17, 26, 31, 1932, pp. 9, 738, 10470-81, 10674, 10686, 10696, 10716, 10769, 11623, 11972; *United States Daily*, June 1, 1932, p. 1.

<sup>12</sup> *Congressional Record*, May 13, 1932, p. 10465-66.

<sup>13</sup> *Congressional Record*, May 13, 1932, p. 10465-66.

Congress is presumptively dedicated."<sup>14</sup> Representative Clancy (Michigan) and others argued in the same vein.<sup>15</sup> The automobile interests also aided other interests in trying to keep down the taxes on accessories, tires and tubes, oil, gasoline, and rubber, though without much avail.

It was agreed several times to put an import duty on raw rubber but it was explained later that this was changed to a tax on tires and tubes because the large tire manufacturers had on hand a year's supply of rubber and a tariff of 5 cents a pound would almost double the values of their inventories and hurt the small independents who had no such supply. It was charged that Secretary Mills was unwittingly induced by the tire companies to favor the import duty.<sup>16</sup>

In the end, the automobile and allied industries had put upon them about one-fourth of the billion dollar tax bill. Mr. Crisp explained that the Ways and Means Committee had tried to tax all industries lightly under a general manufacturers' tax rather than put such heavy taxes on one industry, but the House had rejected this plan. "I think automobiles and users of automobiles are taxed more severely under this bill than any other industry in the United States," said Mr. Crisp, in recommending the conference report.<sup>17</sup> Many other senators and representatives expressed sympathy but voted for the bill containing the levies.

The most conspicuous leader of the general sales tax was Senator Walsh (Massachusetts), and he was actively supported by Senator Reed (Pennsylvania). Senator LaFollette (Wisconsin), also a member of the Finance Committee, charged that the sales tax advocates in the committee tried to emasculate the bill in order to force the adoption of a sales tax,<sup>18</sup> and he gave evidence of doubting the sincerity of the Treasury's opposition to the sales tax.

After Senators Fess<sup>19</sup> (Ohio) and Copeland (New York) reported that they thought the President was friendly to a sales tax and after the President had called a special conference of press representatives from all over the country, Senator Connally said that "Senator Fess and the rest of us conclude that the White House, from the secretaries up, say that they are not for a sales tax, and yet they are covertly and secretly seeking to bring pressure upon Congress to make it swallow the sales tax, which it is not going to do." In support he quoted the President's reported statement to the press conference, "If the sales tax came up for another vote in the House, it would gain far more supporters than when it was rejected."<sup>20</sup>

<sup>14</sup> *Congressional Record*, May 24, 1932, p. 11436; *United States Daily*, May 26, 1932.

<sup>15</sup> *United States Daily*, December 31, 1931.

<sup>16</sup> *Congressional Record*, May 16, 1932, p. 10696.

<sup>17</sup> *Congressional Record*, June 4, 1932, p. 12367, 12376.

<sup>18</sup> *Congressional Record*, May 16, 1932, p. 10676.

<sup>19</sup> Then chairman of the Republican National Committee.

<sup>20</sup> *Congressional Record*, May 28, 1932, p. 11854-59.

Meanwhile, Senator Walsh (Massachusetts) had been advocating from day to day a general sales tax of  $11\frac{1}{2}$  per cent or  $13\frac{3}{4}$  per cent. On occasion he would vary the procedure and argue for Senator Tydings' beer and bond bill. But by the time Senator Walsh formally introduced his general sales tax amendment things were moving faster. On May 30, Senator Harrison (Mississippi) presented to the Senate the following statement signed by 35 Democratic members.<sup>21</sup>

"In order to expedite the passage of a revenue bill to balance the budget and to prevent unnecessary prolongation of debate thereon, the undersigned now declare that they will at this time vote against every form of general sales tax on the pending bill." Senator LaFollette presented a similar statement signed by 19 Republicans and one Farmer-Labor member. These made a total of 55, a clear majority of the Senate membership of 96.<sup>21</sup>

The next day at noon (May 31), the President appeared in person before the Senate, stressed the emergency and the need for prompt action, advocated the adoption of the income tax amendment proposed by Senator Connally and the general manufacturers' excise taxes proposed by Senator Walsh. The Senate had reversed itself and adopted the Connally amendment shortly before the President's arrival, but it refused to adopt the Walsh plan in spite of the urgings of Secretary Mills and the President.

It was estimated that \$285,000,000 more was needed to balance the budget. The Finance Committee held special sessions during the day and came out, after considering the President's proposals, with recommendations of a tax of 1 cent a gallon on gasoline and a 5 per cent tax on consumers' payments of gas and electricity. The gasoline tax was adopted without a record vote. There was much skirmishing and several votes on different forms of proposed taxes on gas and electricity. Some wanted the taxes paid by consumers, some by the producers; some wanted the taxes to apply to both public and privately owned plants, some to the latter only. Finally the amendment of Senator Howell (Nebraska) was adopted, 61-19. It omitted gas and provided for a 3 per cent tax upon the energy sold by privately owned operating electrical power companies.<sup>22</sup>

The Senate's action on this tax was reversed behind the closed doors of the conference committee so that domestic and commercial consumers of electricity produced by both public and privately owned plants, rather than the privately owned power companies, are required to pay the tax. The Senate's representatives on the conference committee were flayed for violating the rules and betraying the Senate in this matter, conservative as well as liberal members joining in the censure. The Vice-President,

<sup>21</sup> *Congressional Record*, May 30, 1932, p. 11914.

<sup>22</sup> *United States Daily*, June 1, 1932; *Congressional Record*, May 31, 1932, p. 11972 ff.

however, was upheld by a majority vote in his decision that the rules had not been violated.<sup>23</sup>

This tax was a Senate measure, hence the House members of the conference committee were not under the same obligation to support it as were the Senate members. In recommending to the House the adoption of the conference report, Mr. Crisp defended the conference committee's action by saying that the tax would amount to only 9 cents per month on the average householder.

"The conferees became convinced," he said, "that that [the Senate's gas tax provision] was inequitable; that it would destroy many of the companies; that men, women, and children throughout the United States holding stocks and bonds of those companies would lose their investments; and the conferees finally agreed on a 3 per cent sales tax on commercial and domestic users of electrical energy, to be passed on, the companies to be the collecting agencies for the government."<sup>24</sup>

The expressions of some senators were much less sympathetic towards the electric companies as well as towards the poor over-burdened widow and orphan stockholders.

#### *Direct versus Indirect Taxes on Beer*

There is scarcely space to discuss Senator Tydings' proposal to authorize 2.75 per cent beer and to tax it at 24 cents a gallon so as to amortize a bond issue of \$1,500,000,000 for public works; nor is there space to repeat all of Senator (Dr.) Copeland's recipes for making beer; nor to dwell on Senator Bingham's (Connecticut) recommendation of 4 per cent instead of 2.75 per cent beer. It may be of interest to note, however that Senator Tydings drew from Chairman Smoot of the Finance Committee the admission that the committee's proposal to get \$97,000,000 from taxes on brewers' wort, malt sirup, and grape concentrates was a method of conniving at a situation which the beer advocates proposed to face openly and directly. In the committee's bill "we are taxing honest work and putting crime on the free list," said Senator Tydings. "There would be no need for taxes on automobiles, admissions or for most of these excise taxes if we would tax the things which Al Capone taxed, but which we cannot tax; but we go into the back door of Mr. Capone's home and take his ill gotten gains . . . in the form of an income tax."<sup>25</sup>

Senator Tydings' beer and bond amendment was rejected, 24-61; Senator Bingham's 4 per cent beer, 23-60; Senator Copeland's malt tax amendment, 7-68.<sup>25</sup>

<sup>23</sup> *Congressional Record*, June 6, 1932, p. 12418-27.

<sup>24</sup> *Congressional Record*, June 4, 1932, p. 12366.

<sup>25</sup> *Congressional Record*, May 13 and 19, 1932, p. 10466, 10926-28, 10933.

*Protective Tariffs on Raw Materials*

Despite the efforts to keep the tariff issue out of the revenue bill, it got in early and stayed in till the last. It increased the log-rolling tactics and delayed procedure with the revenue bill, in spite of the appeals for haste to balance the budget in order to arrest the financial panic and to restore confidence in the gold standard of the United States.

"The gentleman from Georgia" (presumably Mr. Crisp of the Ways and Means Committee) was given credit for introducing the oil tariff while the bill was in committee on the assurance that this would secure support for the committee's sales tax proposal.<sup>26</sup>

Senator Tydings stated before the Senate Finance Committee that:

This tariff was injected into the revenue bill in the House by tariff proponents. It had been excluded from the bill on its merits by the committee after full hearings, when proponents were heard twice to one hearing for the opposition. The Treasury had reported the tariff of 1 cent a gallon on crude, fuel, and gas oil, and 2 cents a gallon on gasoline, would bring no revenue, being prohibitive.

Oil tariff proponents then led the committee to infer that a gasoline tax of 1 cent a gallon would not diminish imports and, in return, for a promise of 40 votes to support the sales tax, secured committee approval of a tax of 1 cent on imported crude oil, per gallon, 1 cent on imported fuel and gas oil, per gallon, which the Treasury reported would produce no revenue at all—and of 1 cent per gallon on gasoline which, by some unexplained calculation, is estimated to bring \$5,000,000 into the Treasury. Secretary Mills, before this [Senate Finance] committee, passed responsibility for this estimate to another department of government.<sup>27</sup>

Before the bill got through the House, the tariff on coal had been added to the one on oil.

When the bill reached the Senate Finance Committee the effort was again made to eliminate consideration of tariff duties and to devote all efforts to taxes for revenue. Senator LaFollette's motion to that effect on April 25 was rejected, 9-10. A motion to strike the oil tariff from the bill was lost, 8-10; one to eliminate the coal duty, lost, 8-10; one to add a duty on copper, carried, 10-8. Four days later the committee reversed its action with respect to oil and coal by votes of 10-9. The vote on copper was 10-10.<sup>28</sup>

The committee reversed itself time after time, but finally recommended tariffs on lumber and raw rubber as well as on oil, coal, and copper. "Lumber had a hard time getting in" but, according to Senator LaFollette, did so under the slogan of the Three Musketeers, "All for one and one for all."

Senator Connally (Texas) stated that the Tariff Commission reported

<sup>26</sup> *Congressional Record*, June 4, 1932, p. 12373.

<sup>27</sup> *Hearings*, Senate Finance Committee, p. 389.

<sup>28</sup> *Congressional Record*, May 16-20, 1932, p. 10716, 11119-20.



a differential of \$1.03 per barrel in the cost of mid-continent oil and foreign oil at the Atlantic seaboard and hence he thought that the Texas Company and other independents should have 1 cent a gallon (42 cents a barrel) to offset the advantages of such large importers as the Standard Oils, the Dutch Shell, and Mr. Mellon's Gulf Petroleum Company. He and his many supporters from various oil states won their point in spite of the Tariff Commission report to the effect that, after making proper allowances, there is no appreciable advantage in the cost of Venezuelan crude as compared with similar domestic products. In fact, a 1931 supplemental report of the commission cited in opposition gave domestic crudes 20 cents a barrel advantage at Atlantic ports.<sup>29</sup>

Coal, copper, and rubber tariffs induced much the same tactics as the other duties, though they may not have provoked such conspicuous opposition. Copper was said to have made out a case before the Tariff Commission, and its friends did not charge errors by the commission in this instance. Senator Reed argued for the coal duty which was not to be applied to countries that import more coal from the United States than they export, for example, Canada. The substitution of the taxes on tires and tubes for the tariff on raw rubber has been mentioned above.

Naturally, when the tariff pie was cut, nearly everybody wanted a slice. Senator Shipstead (Minnesota) came forward with an amendment providing for a tariff on vegetable oils; Senator Norbeck (South Dakota) with one for butter; Senator Oddie (Nevada) wanted a tariff on manganese bearing ores; Senators Norris (Nebraska) and Frazier (North Dakota) revived the export debenture plan for agriculture; and so on. Most of the Democrats, having previously cast aside their economic principles relative to tariffs, seemed just as anxious for subsidies as the Republicans. In fact, when Senator Smoot disclaimed Republican responsibility for the tariff items, Senator Long (Louisiana) claimed the credit for the Democrats. Other senators denied trading votes but the latter openly avowed that he wanted a tariff on oil and would vote for a tariff on copper in order to get it.<sup>30</sup>

### *Conclusion*

The depressed economic and panicky financial situation in the United States and, in fact, throughout the world made the task of balancing the budget an impossible one. We are harvesting the natural fruits of the war, particularly of the inflationary financing of the war and post-war periods. There is, of course, no intention of minimizing other important factors, but sound tax systems are hardly possible without

<sup>29</sup> *Congressional Record*, May 16-20, 1932, p. 10710, 10949, 11032, 11143, 11064, 11608.

<sup>30</sup> *Congressional Record*, May 16-18, 1932, p. 10710, 10949.

sound monetary and credit systems, and vice versa. Actual balancing of the budget through taxation awaits more favorable financial conditions than existed during the past session of Congress.

In August, 1919, the federal debt reached a peak of about \$26,000,000,000; by June 30, 1930 it was reduced to about \$16,000,000,000, but it is now back to about \$21,000,000,000. In the fiscal year ended June 30, 1932, the federal government spent \$5,006,000,000 and collected \$2,121,000,000, leaving a deficit of \$2,885,000,000. This made a combined deficit for the last two fiscal years of \$3,788,000,000;<sup>31</sup> and it is tentatively estimated that the present fiscal year will add another \$1,000,000,000.<sup>32</sup> Obviously, Congress will have to consider the financial situation anew when it meets in December.

The four revenue acts following the war, especially the Act of 1921, reduced the federal taxes sharply. Secretary Mellon repeatedly underestimated revenue receipts and thus probably prevented Congress from cutting taxes as fast as it would have done. He had surpluses to apply to debt payment and consequently reduced the debt nearly twice as fast as called for by sinking fund requirements. His estimates after the beginning of the depression were not so fortunate; and his recommendation of further tax reduction in November 1929, seems particularly ill advised. The \$10,000,000,000 reduction which was brought about before the depression, however, was unusual and very desirable. In fact, if taxes had not been cut so fast and more business profits had been applied to debt payments, boom conditions might not have developed to the extent they did, debts could have been reduced still more, and we might be in a better situation today.

Imports, formerly our chief reliance for federal revenues, and incomes, our chief source of taxes since the adoption of the Sixteenth Amendment, both fluctuate greatly between prosperity and depression. With such tax bases, even more than with property and sales tax bases, sound policy requires the planning of expenditures to accord with average national income rather than on the basis of maximum annual income, plus. It also requires the building of reserves in fat years to carry us over lean years. The most practical way to meet this requirement is to pay off debts very rapidly in periods of prosperity and thus be in a position to borrow if necessary in emergencies like the present. Of course, it will be objected that public administrations are too political and their tenures too uncertain to permit sound, long-time programs. There is much truth in this criticism; but certainly progress lies in the direction of planning and gradually improving the present system as well as in the selection and support of good administrators. Nor is it obvious that govern-

<sup>31</sup> *United States Daily*, July 2, 1932.

<sup>32</sup> *Brookshire Economic Service*, September 26, 1932.

mental finance of recent years has been much worse than that of private individuals and business corporations.

Secretary Mills has pertinently pointed out the growing difficulties caused by the increasing overlapping of state and federal taxes. Formerly the federal government relied almost solely on the tariff, except in war periods, and the states and their subdivisions depended almost wholly on the general property tax. Both federal and state governments have expanded their services and have extended their tax levies to more and more subjects or objects of taxation. Instead of having separate sources as formerly, each of them is now adding taxes to subjects and objects already heavily taxed by the other. For example, both tax incomes, estates of decedents, tobacco, gasoline, stock transfers, and many other commodities and transactions.

It is clear that both federal and state taxes have to come out of the incomes of the people; the pressure of one governmental jurisdiction affects the ability to meet the exactions of the other. The needs of federal and state (including local) governments are unprecedented and the current incomes of the people are not what they once were. Unemployment relief, agricultural relief, home-owner relief, bank relief, railroad relief, insurance company relief, and soldiers' bonuses stare us in the face now; aid to veterans is portentous for the years to come, and no one can chart with certainty the future course of the general economic situation. Obviously, the Secretary of the Treasury, the budget officers and the administrations of all governmental jurisdictions will have plenty of opportunity to show their talents during the next few years. Possibly the times will develop one or more of them into Alexander Hamiltons to lead the people and their legislators out of the fog of confusion and futility in which they have been floundering the past two years; but, to use a figure of Professor Taussig, it is probable that the patient will have to depend partly upon nature in some unexplained way to build up resistance that will finally overcome the disease of the economic system and make something like normal finance possible.

ROY G. BLAKEY and  
GLADYS C. BLAKEY

*University of Minnesota*

## THE AMERICAN LABOR MOVEMENT IN PROSPERITY AND DEPRESSION

The chief factors responsible for the existing weakness of the organized labor movement in the United States are revealed by an examination of conditions preceding the present depression. Leading pre-depression influences—mainly economic in origin but involving significant psychological concomitants—were as follows: substantial increases in income which facilitated emulative expenditures of a kind calculated to divert attention from the benefits of unionism; extensive unemployment which for the most part militated against effective organized demands for wage increases—this accompanied by a cost of living which experienced little alteration; technical changes in industry combined with increasing trustification, both of which served to accentuate the obsolescence of dominant craft unionism. Factors frequently cited as primary in explaining the ineffectiveness of the labor movement—legal handicaps and inferior leadership—are regarded as secondary. Probably the American labor movement will eventually take on conscious class characteristics similar to those manifested by wage earners in the industrialized nations of Western Europe, although for the present correct strategy would appear to require the subordination of political programs to the building of organization along economic lines.

To those who believe that the organized labor movement is potentially capable of functioning as a primary agency in removing the economic handicaps of disadvantaged groups, its present ineffectiveness is a matter of concern. Nor is concern lessened by knowledge that in all of the current discussion of plans for economic remedy there exists an almost unanimous indifference to any views or opinions brought forward by the labor movement. This indifference is doubtless in part due to the conviction that proposals advanced by organized labor will be unsound. But probably equally important is the realization that organized labor's failure to embrace more than a minor fraction—and that confined to the aristocracy of the skilled—of the wage earning population, makes the labor movement an influence to which slight attention need be directed.

Little reason appears to exist for the expectation that a weak labor movement will be replaced soon by one which is strong. Even before the depression the once powerful United Mine Workers retained only a remnant of their former membership in the bituminous coal industry; and in the anthracite industry the union's prestige was much impaired. The nation's basic manufacturing industries in 1927 were "less organized than they were before or during the war."<sup>1</sup> During the active construction years, before the depression, the building trades unions were the most important group to make gains in membership. But at present in many localities wage and other standards are merely nominal, and the members accept employment on terms they can obtain as individuals. Smaller American Federation of Labor unions, such as the Musicians and the Full-Fashioned Hosiery Workers, despite a degree

<sup>1</sup> Leo Wolman, *Recent Economic Changes*, p. 481.

of aggressiveness in defending standards and initiative in the use of publicity, maintain an existence increasingly precarious. Even the much looked-up-to Amalgamated Clothing Workers union has been compelled to make substantial concessions on wages and is engaged in one of the apparently endless struggles to establish some kind of order in the chaotic New York market. The very strength of the union in the Chicago market seems to be a chief factor in bringing about a steady reduction of that center's share in the total output of men's clothing, with a corresponding increase in the less strongly organized East.

The specific instances cited might be ascribed to the depression. But here, as with other manifestations of economic distress, present ills are recognized as having their origins largely in the prosperous period preceding the depression. Without discussing general causes of the depression, let us examine certain significant factors which contribute to an understanding of why the labor movement did not fare well during most of the decade intervening between our two most severe recent depressions. It has come to be a maxim that unionism flourishes in a period of prosperity. But if what the nation experienced for the greater part of the time between 1922 and 1930 was "prosperity," the showing of the labor movement was indeed anomalous. After having lost over a million members from the 1920 peak, the changes in total membership of A. F. of L. unions, at least as published, from 1923 to 1930 were slight. Gains in the building trades were almost canceled by losses in other unions. In fact, this seeming ability of the labor movement to maintain its strength during these prosperous years was not an actuality, for it is well known that the United Mine Workers had a membership of no more than half the 400,000 counted in the A. F. of L. total.<sup>2</sup> Clearly, the prediction of Professor Barnett<sup>3</sup> in 1921 has been abundantly verified that the expansion in union membership characterizing the war period would be largely ephemeral.

It might appear that the highness of real wages during recent prosperity left nothing to be desired. Professor Douglas places the increase in real annual earnings for urban labor, from 1914 to 1928, at 30 per cent,<sup>4</sup> and much of this gain was subsequent to the shift in price relationships accompanying the depression of 1921. So substantial an im-

<sup>2</sup> For statistical analysis supporting this view, see Leo Wolman in *Recent Economic Changes*, pp. 479-482. Wolman's estimates include all organized labor, outside as well as within the A. F. of L. He offers a figure of 300,000 for the United Mine Workers in 1927, but much has happened subsequently in that organization to cause further substantial losses.

<sup>3</sup> George E. Barnett, "The Present Position of American Trade Unionism," *American Economic Review Supplement*, March, 1922.

<sup>4</sup> Paul H. Douglas and Florence Tye Jennison, *The Movement of Money and Real Earnings in the United States, 1926-28*, p. 27. (Univ. of Chicago Press, 1930.) Since 1914 was a depression year, to use it as a base makes the increase somewhat



provement in standards of living which this gain in real earnings signified must have created a somewhat more acquiescent attitude on the part of many wage earners toward an income status which continued to be far from adequate. However, additional factors require consideration in order to obtain a fuller comprehension of influences decisive in bringing the labor movement to a complete standstill.

One of these relates to the nature of the increased real earnings. Before the World War the bulk of such increases as occurred in real income for wage earners went for traditionally familiar types of expenditure—food, clothing, furniture, and home-ownership. A feature of the “new era,” however, was the sale of tremendous amounts of consumption goods, resulting from mass production applied to recent inventions. A large share of the worker’s increased real income went into the acquisition and maintenance of automobiles and radios. Substantial amounts were also spent on the cinema. Probably even more significant is the time and attention absorbed by these new increments of real income. Especially important was the added stimulus to emulative expenditure supplied by these commodities and services. Competition in “keeping up with the Joneses” of course is not a new institutional development. But it can hardly be doubted that in this kind of expenditure there existed an added urgency brought about by new technical and merchandising devices. It would appear equally evident that the net consequences for the labor movement involved a scattering and diversion of interest which tended to sap whatever vitality the movement previously possessed.<sup>5</sup>

Examination of data relative to the automobile affords evidence for the view that this outstanding consumption good, during the period under consideration, adversely affected the labor movement. From 1922 to 1928 passenger car registrations almost doubled: in 1922 there were 10,864,000 registrations and in 1928, 21,630,000. Analysis by price classes shows that for the five-year period 1922 to 1926, medium and high-priced cars together remained almost stationary in total volume of sales while there was a great increase for those of low price.<sup>6</sup> The number of new low-priced cars sold supports the view that the consuming habits of many wage-earning families were being significantly altered

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greater than if changes had been measured from any one of the several immediately preceding years.

<sup>5</sup> Cf. Robert S. and Helen Lynd, *Middletown*, chapters 8 and 18, particularly pp. 76-84, 253-56; also James Rorty in *American Labor Dynamics* (edited by J. B. S. Hardman), pp. 89-91.

<sup>6</sup> Ralph C. Epstein, *Recent Economic Changes*, pp. 59, 60. A large proportion of the low-priced cars were of course sold to non-wage earners. A sample study in a “primarily urban” community was directed by Professor Epstein and disclosed that one large distributor dealing in cars ranging in price from “about \$1,000 to

by the automobile. But the figures certainly underestimate the changes in process, for it is well known that many wage earners owning cars purchased them as used cars, often at several removes from the first buyer. And it is a common occurrence for a medium-priced car which was originally sold to a non-wage earner to gravitate finally into a laborer's possession. Recognition should be made that large numbers of low-priced cars are sold to farmers, but of all passenger cars the percentage on farms has been reduced from 32 in 1919 to 18 in 1930.<sup>7</sup> The relative falling off in the position of farmers as car owners indicates a corresponding growth of ownership in urban communities where those wage earners who constitute the organizable material for unionism, are preponderantly located.

Statistical information does not warrant the inference that anything approaching 100 per cent of wage-earning families owned cars prior to the depression. Especially in the largest cities numerous wage earners doubtless did not find ownership feasible. In the Bureau of Labor Statistics study of living standards among 100 families, in which the husbands were employed at semi-skilled work by the Ford Motor Company and had an annual average income in 1929 of \$1,711.87, 47 owned cars.<sup>8</sup> How many additional families were planning to purchase an automobile at the first opportunity is not stated. This study revealed an aspect of car ownership which is pertinent to our discussion but to which attention is seldom directed: a large proportion of the Ford workers resided at a distance from their employment, a condition often made possible because of the automobile. The factor of distance, it may be fairly assumed, militates in some degree against the growth of a group solidarity which is indispensable to effective unionism. Thirty-nine of the 100 Ford workers resided 10 miles or more from their employment.<sup>9</sup> The authors of *Middletown* state that "a factory can draw from workmen within a radius of 45 miles," and a union official asserted that "the Ford car has done a lot of harm to the unions here and everywhere else. . . . As long as men have enough money to buy a second-hand

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\$1,600" made 29 per cent of his sales to wage earners (p. 62). However, it is evident that the price range does not include the automobiles which sell in greatest volume. Consequently, the percentage cited must considerably underestimate the relative position of wage earners in the total demand.

<sup>7</sup> Census data cited by Professor John D. Black in the *Annalist*, Jan. 15, 1932, p. 92.

<sup>8</sup> *Monthly Labor Review*, June, 1930, p. 49. Nineteen families had acquired cars during 1929. Fourteen cars were purchased on the installment plan, and the average outlay for the 19 families was \$211.13. "Upkeep on cars averaged \$78.02 for the 47 families reporting this expense." For the entire group of 100 families, average expenditure during the year was \$7.96 greater than the average income of \$1,711.87 (p. 13). No family had more than three children and there were no other dependents.

<sup>9</sup> *Ibid.*, table, p. 44.

Ford and tires and gasoline, they'll be out on the road and paying no attention to union meetings."<sup>10</sup>

The most significant results for organized labor of the spread of automobile ownership among wage-earning groups appear to be those which grow out of the emulation that is involved in the acquisition and use of the automobile. This does not deny that after the car is acquired the most obvious influence making for indifference to group action through unionism is likely to be the time and interest absorbed by the fascinating new object of ownership. But this should not obscure the place of emulation as the original impelling influence to cause purchase of the automobile or that thereafter in many instances the attention devoted to the car largely springs from the desire to emulate. The statement by Professor Epstein in *Recent Economic Changes* seems to be amply warranted: "The real revolution in American consumption, involving not only radical changes in ways of living but also profound industrial consequences, is in large measure a function of the introduction of the automobile. It would be difficult to find anywhere in economic history so swift and pervasive a revolution."<sup>11</sup>

Emphasis has been placed upon the automobile because of its dominating influence among the new consumption goods for the period under consideration. But similar consequences in so far as the labor movement is concerned may be attributed to the other two most conspicuous new developments in the field of consumption, the cinema and the radio. During the period from 1922 to the present depression, among millions of wage-earner consumers the influence of novel ways of spending was strong. And it seems reasonable to suppose that the net result of this influence was to affect adversely the fortunes of the labor movement.

<sup>10</sup> Robert S. and Helen Lynd, *op. cit.*, p. 254. Even at the close of 1923 in "Middle-town" there was one car for every 6.1 persons, "or roughly two for every three families." A sample of 123 working class families showed that 60 owned cars. An official of the Trades Council thought that among the people with whom he came in contact "25 per cent are fighting to keep their heads above water; 10 per cent want to own their own homes; 65 per cent are working to pay for cars" (footnote p. 256). An official of an automobile financing company stated that "a working man earning \$35.00 a week frequently plans to use one week's pay each month as payment for his car" (p. 255).

<sup>11</sup> P. 59. See also the discussion of emulation in chapter 4 of *The Consumption of Wealth*, by Elizabeth Ellis Hoyt; emphasis is placed upon the automobile, p. 39. Based upon the estimates of David Friday, Lionel D. Edie points out that in 1923, of the \$12,250,000,000 of national savings "about \$5,000,000,000 of savings were applied to the demand arising from the technical progress represented by the automobile" (*Economics: Principles and Problems*, p. 283). In his study of the trends in production from 1899 to 1925, Woodlief Thomas demonstrates the relative decline of the older staples and states that "the most striking increases shown have occurred in those industries manufacturing goods which are devoted to recreation and diversion or which have brought about radical changes in the manner of living" (*American Economic Review Supplement*, March, 1928, p. 133; see also p. 135).

If and when the new consumption habits become so completely incorporated into standards of living that they are taken for granted as essential, there probably would ensue a strengthening rather than a weakening of the labor movement. But it is unlikely that this process had had sufficient time to work itself out prior to the depression. The general situation in regard to standards of living during the period under discussion may be characterized by saying that large numbers of wage earners felt that they were "getting ahead." Since, more often than not, this was occurring without any direct and discernible assistance from organized labor, workers could well ask why they should bother to join unions—particularly in view of formidable accompanying obstacles which will be indicated below.

A factor of special importance is that even when wage earners had little expectation of themselves entering occupations better remunerated than those available for the working class, they often hoped that their children would succeed in achieving something better.<sup>12</sup> "Something better" was customarily interpreted to mean a position in the middle class—where competitive individualism and its concomitant, emulative consumption, hold a firm grip upon the psychology of white-collar groups.<sup>13</sup> To the degree wage earners looked forward to reaching eventually a middle-class status or visualized their children as attaining this objective, any attraction that unionism might otherwise hold would be lessened for a significant though unknown number. While not dealing specifically with the subject of organized labor, Professor Frank H. Knight has described well the general problem:

. . . Standards of living and of work are largely but reflected desires for one type or another of human relationship, . . . we want things, mainly to be like others or to be different from them, to emulate or to dominate, be agreeable or arouse envy, and so on. It may be ever so demonstrable that competition is really but a method of coöperation, and even a very "good" method as far as efficiency and low organization cost go [this was written in 1925], and yet it may be far more important that competition teaches men to think of each other as competitors and not as co-workers, and to see their relation to their work as that of the slave to the treadmill.<sup>14</sup>

<sup>12</sup> The statistical basis for this hope is discussed by Professor Sumner H. Slichter in *Modern Economic Society*, footnote, p. 95.

<sup>13</sup> In the period after the war not only did salesmanship and clerical and managerial positions generally assume a relatively more important rôle, but the tremendous increases in secondary school enrollments also indicate that a large part of these gains came from children in wage-earning families. See the table in *Recent Economic Changes*, p. 474, where it is shown that school attendance of pupils 16 years of age and older increased from 629,000 in 1922 to 1,430,000 in 1927.

<sup>14</sup> Frank H. Knight, "Psychology and the Value Problem," *Quarterly Journal of Economics*, vol. 39, pp. 407-408. The "teaching" which Professor Knight regards as shaping attitudes and preferences is clearly the product and discipline of institutional arrangements concerning production and consumption. Generally speaking, in the nature of the case, the formal agencies of education, particularly the

Professor Knight's statement reveals a not too high subjective valuation of the end results of our economic order. There appears to be implicit a rejection of competitive consumption as an attractive feature in present-day society. Competition of this kind, however, seems to be an inevitable corollary of an economic system which sets for itself as the highest goal attainable the maximizing of ever larger streams of commodities. For present purposes it is not necessary to express a complete judgment upon the wisdom evinced by wage earners in the "normal" spending of their incomes, for our main concern is with this spending in so far as it affected the labor movement. Budgetary studies of how wage earners *ought* to spend regularly fail to include an automobile. But if one reflects upon the exceedingly drab and precarious existence which besets large numbers of wage-earning families, it is not altogether surprising that many of them fail to follow exactly the ways of living prescribed as desirable by the family-budget experts—this aside from the circumstance that the wage earner is commonly besieged by another and more aggressive type of expert, the high-pressure salesman. Irrespective, however, of differing views regarding the manner in which wage earners should function as consumers, it seems incontestable that for the greater part of the decade preceding the present depression individualism among them received significant expression through competitive consumption. The more traditional ways for the individual to "get ahead" were not so inviting as they had been for earlier generations; but if he could surpass his neighbor in "making a showing," that was something.

The view is now widely accepted that the way of organized labor in the United States has been made difficult because of certain outstanding characteristics of American individualism.<sup>15</sup> Emphasis has been placed upon the traditional pull of the frontier psychology, the absence of complete social stratification, and, due to the favorable ratio of resources to population, the absence of insuperable barriers to some of those who seek wealth. Indeed, it is well known that in spite of the difficulties for unionism created because of the heterogeneous population resulting from immigration, the workers of foreign extraction, both in the rank and file and in the leadership, have contributed more than a proportionate quota to the labor movement of this country.<sup>16</sup> But

primary and secondary schools, also uncritically serve to intensify and perpetuate the accepted individualistic (and therefore competitive) ideals that derive from economic processes; see Horace M. Kallen, *Education, the Machine and the Worker*, particularly the sections "Assent or inquiry" and "Escape, not control."

<sup>15</sup> Professor Selig Perlman has explained most satisfactorily this aspect of the labor movement in *A Theory of the Labor Movement*.

<sup>16</sup> W. L. Leiserson, *Adjusting Immigrant to Industry*. A revealing instance is the inability of the intelligently administered Amalgamated Clothing Workers to



while more susceptible to the idea of organization, doubtless to the extent that the newcomers become Americanized, those aspects of individualism—including “keeping up with the Joneses”—most inimical to the growth of the labor movement, tend to become part of their point of view, thus weakening the preference for coöperative action which is a requisite to successful unionism. However, nothing approaching a detailed excursion is here essayed into the factors responsible for making American individualism what it is. The significant feature for our purpose is that both the amount of the increase in real wages and the manner of spending it, during the years after 1921, acted as a retarding influence upon the growth of unionism.

This retardation might not have been so marked had not the increase in real earnings been accompanied by additional contributing factors. Contrary to precedent, during the years immediately preceding this depression, prosperity was not characterized by substantial increases in the cost of living. It had been this spur in past experience more than any other which induced wage earners to turn to labor organization as a means of more rapidly overtaking mounting living expenses.

Emulative consumption, so strongly stimulated during this period, might conceivably have provided the incentive for demanding higher wage rates, even in the face of an almost stationary cost of living, had it not been for still another major factor. A peculiarity of this era of prosperity was that unemployment was more prevalent than is customary during such a period. Any impulse toward attempting to push up wage rates by means of collective bargaining in order thereby to be enabled to purchase more and better automobiles, radios, etc., was likely to be smothered by the knowledge that the labor market was too plentifully supplied with the unemployed who could be quickly hired at the going rates. That wage earners' wants were far from satiated was demonstrated by the activity of the building trades unions in pressing for higher wages. In their case, contrary to the situation in most manufacturing industries, expanding employment was the rule. Samuel Gompers' assertion that “labor always wants more and more, here and now” was verified in the building trades.<sup>17</sup>

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unionize the shops of a large Cleveland concern. The explanation offered by certain officials of the union is that the company's personnel is almost entirely comprised of girls who are of the “older American stock” and regard unionism as “beneath them.”

<sup>17</sup> From one point of view it appeared during this period that employed labor was holding its own and doing so with a fourth to a third higher real earnings than the level prevailing before the World War. But in a more basic sense, labor appears to have been losing ground relative to industry's expanding output, coupled with generally lower costs of production brought about mainly by improved technique.

The psychologically harmful effect of unemployment during this period upon the possibilities of union expansion appears to have been closely connected with the accelerated displacement of labor by technical changes. The view that "technological unemployment" is cumulative and therefore contributory toward bringing about a depression is probably rejected by the majority of economists. We know, however, that the reabsorption of the unemployed which took place during the prosperity culminating in this depression was largely in service and distributive industries where unionism has little foothold. Moreover, to the extent that technical changes for the time being created larger reserves of unemployed in manufacturing, in the maintenance and transportation branches of the railroad industry and in the mining industries, the problem of extending unionism was made more difficult.

Another effect of more rapid technical change is deserving of special notice because of its rôle in creating an environment inimical to the growth of the existing labor movement. Mechanization, while stimulating the demand for new types of skill, in its total incidence clearly shifts the balance away from the worker with a trade toward occupations in which proficiency can be attained within a few days or a few weeks. The typical union in the United States, although seldom organized strictly on the trade or craft basis in the sense that all of the members have the same training and perform identical work, is largely

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Instead of almost stationary living costs and wage rates, prices to consumers should have fallen or wage rates should have increased. That labor was not so "satisfied" as surface factors might appear to indicate was revealed by the "principle of the social wage," set forth at the A. F. and L. convention in 1925. In that year and subsequently the doctrine has been stated frequently, especially by President Green and John P. Frey, that labor's purchasing power must keep pace with expanding productivity; otherwise, depression would result because of lack of balance in the economic structure. Whether this is a valid analysis or not, nothing much could be done to correct any lag in real earnings which developed, for the labor movement was incapable of supporting its argument with strong pressure throughout the general field of industry.

From the vantage point of hindsight, a body of opinion is growing among economists which substantiates in one way or another the Federation view. Included in this support, at least by implication, appear to belong those who emphasize as a source of difficulty during prosperity the excesses of installment selling and also the volume and use of loans to stock market brokers "on account of others." To the extent that installment selling was employed to excess as a method of disposing of goods to consumers lacking in purchasing power, it doubtless tended to lessen demands for increases in wage rates. The following contain pertinent data: Gordon Hayes, "Profits Destroy Prosperity," *New Republic*, June 3, 1931; Jens Warming, "Theory of Prices and Wages," *International Labor Review*, July, 1931; Charles E. Persons, "Credit Expansion, 1920 to 1928, and Its Lessons," *Quarterly Journal of Economics*, Nov., 1930; Arthur B. Adams and Carter Goodrich in discussion on "The Business Depression of 1930," *American Economic Review Supplement*, March, 1931; Thomas Balogh, "Absorption of Credit in the Stock Exchange," *American Economic Review*, Dec., 1930; Hans Richter-Altschaeffer, "Some Theoretical Aspects of Stock-Market Speculation," *Journal of Political Economy*, April, 1931.

confined to the skilled. Some of the needle trades unions are exceptions; and here and there in the construction industries common labor is organized into locals that are closely dependent upon the skilled. The tendency of mechanization to break down traditional crafts is anything but new. However, in so far as a faster tempo of technical change developed after the war, the strain upon the efficacy of the existing union structure was intensified.

The degree to which during the last decade there existed an unusual lag of union structure behind the accelerated tendency to require less and less skilled labor, resulted in a labor movement increasingly inadequate to cope with the problems for which it was designed. Dominant unionism has been of the "business" type. This type of unionism, it may be granted, traditionally has shown little concern in the attainment of so "impracticable" an objective as industrial solidarity among wage earners, both skilled and unskilled. Nevertheless, organized labor since the war has evidenced a growing inability to advance or even to maintain union standards: all that "job-conscious" or "business" unionism professes to be concerned with. By their own criteria of achievement, even before this depression, the trade unions, with but few exceptions, were losing ground.

More rapid technical change was not the only factor serving to emphasize the encroaching obsolescence of union structure. Before the depression there was also occurring at an increasing rate the merging and amalgamating of industry. This had been carried to the point in more than a few industries where wage earners were confronted with a business and financial concentration on the part of one or several concerns which involved virtual control of the industry.<sup>18</sup> Trustification is an obstacle with which organized labor has had experience for a period longer than the A.F. of L.'s existence. In fact, during the course of years something in the nature of a defeatist psychology has seized the minds of many labor leaders and members of the rank and file. Recent prosperity did not cause wage earners or union officials to forget the outcome of the steel strike of 1919 and the earlier severe defeats of the Structural Steel Workers; or the relative ease with which the meat packers ejected unionism after war-time control had been removed; or that most of the steam railroads, following the strike of the shopcrafts in 1922, have not seen fit to resume relations with those organizations.

The word "trust" has been employed in setting forth one of the

<sup>18</sup> Myron W. Watkins, "Trustification and Economic Theory," *American Economic Review Supplement*, March, 1931, particularly pp. 58-62; W. L. Thorp, "Persistence of the Merger Movement," *ibid.*; Gardiner C. Means, "Growth in the Importance of Large Scale Corporations in American Life," *American Economic Review*, March, 1931.

leading difficulties which has operated to prevent the expansion of the labor movement. However, elaborate distinctions are hardly called for to make clear that no implication is intended that in the "trustified" industries there invariably exists anything like complete monopoly. At the same time, the problems for unionism in this regard cover an area considerably more extensive than that occupied by the trusts. Both the automobile and the soft coal industries are generally regarded as highly competitive. But in the automobile industry we find the Ford and General Motors companies dividing the bulk of the market and each so powerfully entrenched that unionism makes no discernible effort to organize the wage earners. Even in the case of the bituminous coal industry, with its long-standing overdevelopment and excesses of competition, there obtains a condition in which the large coal companies with strong banking support are capable of staving off unionism. It is often asserted that in West Virginia the chief handicaps of the United Mine Workers have been the opposition of the local police and the eagerness of the magistrates to issue drastic injunctions. However, it appears that the main source of extreme legal handicaps in Southern mining regions arises from a largely centralized ownership of mining property which carries effective control of the agencies of government.<sup>10</sup>

Reference to legal and industrial handicaps of the kind cited directs attention to the fact that legal obstacles, in the somewhat stricter sense, are frequently given prominence in explaining the failure of American unionism to progress more rapidly. But, while serious, it seems that the legal limitations upon the organization and conduct of unions do not rank in significance with the other obstacles to unionism that we have examined above.

Devices such as the "yellow dog contract" and drastic injunctions are primarily important in that they reveal the weakness of a labor movement already paralyzed by the previously discussed industrial hazards. Ultimately, these hazards are the real nemesis of the American labor movement, because they create psychological barriers to militant self-assertion. They result in a compound of fear and inertia brought about by a state of mind permeated with the conviction that American business cannot be successfully challenged by labor.

The situation is somewhat more complex than this, of course. For, to the extent that a continuing influence is exerted by the traditional American individualism (which takes an optimistic view of the chances of "rising" in the economic scale) and by its most conspicuous recent expression, "keeping up with the Joneses," labor psychology has more

<sup>10</sup> W. D. Lane, "The Black Avalanche," *Survey Graphic*, April, 1922, p. 1004; H. Laidler, *Concentration and Control in American Industry* (1931), pp. 60-67.

than a tinge of capitalistic ideology. That is, to fear of unemployment and of the preponderance of power held by business interests and to the inertia which forestalls efforts to reshape unions in a pattern more in conformity with the requirements of the modern scene, must be added an element of acquiescence which springs from the desire to imitate.

With this confused state of mind, is it surprising that labor leaders turn their guns from the fortresses of capitalism and train them upon legislative citadels? The demands they make for relief from the injunction and for the outlawing of "yellow dog contracts" in part amount to an attempt to establish an alibi for failure to make advances on the industrial field. The full import of this shifting of attack from basic to secondary obstacles—from industrial to legal barriers—may not be fully comprehended by labor-union officials. But the view, for example, that the passage by Congress of anti-injunction legislation along the lines recently obtained by the A. F. of L. will make appreciably easier the task of organizing large numbers of additional wage earners, denotes a curious inversion of the difficulties facing unionism.

Injunctions, anti-union contracts and actions against unions for triple damages doubtless involve inequitable treatment of labor. It seems clear, however, that these inequities will be removed or substantially lessened only after organized labor has developed more economic power. Until that time, victories gained by the political route are likely to prove as empty as the triumph of 1914. Removal of existing legal obstacles is not to be regarded as a primary means of securing power otherwise unattainable. Efforts to enact anti-injunction legislation "with teeth" and kindred legal instruments or to launch a labor party, are calculated to divert attention from the initial and basic task of directly attacking the problem of establishing a strong organized labor movement. Moreover, such efforts are likely to postpone the attainment of any legislative and political program possessed of vitality. This opinion is based both upon an analysis of the state of affairs in the United States and upon an examination of the sequence of events in European nations. In England, for example, the Trades Disputes act of 1906 which removed the legal disabilities of the unions, came *after* the labor movement was well established. And the legislation of 1927—enacted when the Labor Party was much stronger numerically than in 1906—while placing the unions in a legally more vulnerable position, is a minor irritant among the difficulties now besetting British labor.

In their emphasis upon the need for statutory enactments of the kind referred to, American labor leaders might appear to be evincing an



attitude inconsistent with their general professions of scepticism concerning the value of legislative aids for wage earners. But their position is not as illogical as it might seem, for this special kind of legislation is designed to "clear the path," as Professor Catlin has expressed it,<sup>20</sup> for the freer functioning of labor organizations. The laws demanded propose to remove or limit common-law, judicial and administrative handicaps. Even so, a realistic view would lead one to expect that other networks of legal impedimenta will be devised and that hostility from the peace officers will continue until much more effective weapons are forged than statutory enactments—no matter how well meaning may be their drafters or how cleverly they may be drawn. In fact, the statements of labor leaders and a study of the events in connection with various labor controversies lead to the conclusion that as often as not court and police intervention tend to strengthen the morale of wage earners.<sup>21</sup> Unless striking or locked-out workers have admitted defeat to themselves, it is not unlikely that intervention against them from governmental agencies, because it is regarded as unfair, will stimulate to redoubled efforts.

In reaching the conclusion that legal handicaps are of essentially secondary significance, mention has been made of what is thought to be mistaken emphasis on the part of union leadership. While not everyone might agree with the appraisal of leadership on this particular score, even some of the dissenters, we have little doubt, would join in the broader contention frequently made that to faulty leadership, more than to any other factor, is attributable the weakness of the American labor movement. The indictment has numerous counts; and a plausible if not altogether persuasive case can be made in support of the charges against labor leadership. But there are strong reasons for rejecting as too superficial this explanation for the relative impotence of organized labor. Charges are made that due to poor leadership there is lack of aggressiveness on the part of the unions; that structural defects continue to exist mainly because leaders fight against changes which would jeopardize the positions of many of them; and that the prevailing apathy toward the task of organizing the unorganized would end were it not for this complacent, job-holding leadership which prefers to "sit tight" rather than "rock the boat." This interpretation, however, which depends so largely for its validity upon a judgment of the qualities of individuals, ought to provoke doubt with those familiar with historical processes.

<sup>20</sup> *The Labor Problem*, chapter 18.

<sup>21</sup> For an analysis of leading cases bearing out this view, see E. W. Witte, "Value of Injunctions in Labor Disputes," *Journal of Political Economy*, June, 1924, pp. 335-356.

The most obvious comment concerning such a theory of what ails the labor movement is again to call attention to the concatenation of circumstances in the American scene during the decade following the World War. Merely to say that better leadership would have overcome the obstacles we have examined is not enlightening. For, on this plane of argument, one may ask: How much "better?" and, Where was this superior leadership to be found? The existing leaders were what their qualities and their experience had made them, and it is difficult to discern where markedly improved leadership was to be discovered. The familiar aphorism that every group or movement tends to obtain the kind of leadership it deserves may assist in clarifying the issue.

With a wage-earning population having such a large infusion of optimistic, aspiring individualism of the American variety that many of the workers habitually thought of themselves as destined to be something "better" than those identified with the working class, with wages "high" (measured from a pre-war base) but unemployment extensive, with a union structure suited for a handicraft economy in contrast to a business structure wielding the two-edged sword of rapid technological change and consolidated financial power, with the bulk of union membership confined to the aristocracy of the skilled and inclined to view the unskilled with aloof indifference if not arrogant condescension—under these circumstances romantically unrealistic talk about the need for better leadership impresses one as futile. Rather than focus attention on leadership, as if this function entirely explained whatever progress or retrogression the labor movement experienced, it would be more revealing to look behind the leaders to the rank and file who have ways of retiring those officials who are no longer considered sufficiently competent.<sup>22</sup> More exactly, examination should be directed to the complex of forces out of which emerge both the leaders and the rank and file.

This position does not require one to overlook the fact that labor leaders build machines to perpetuate themselves in office; that particularly in large cities, where unionism reaches its greatest strength, shady practices involving the racket and accompanying graft flourish; and that the labor leader both through income and social contacts may become more concerned with stock quotations and the condition of the real estate market than with the absence of collective bargaining which typically obtains for American wage earners.<sup>23</sup> One might even infer from the restrained tone of union officials' occasional mild admonitions to business leaders not to bear down too harshly upon "the

<sup>22</sup> Robert H. Hoxie, *Trade Unionism in the United States*, pp. 177, 178.

<sup>23</sup> *Ibid.*, chapter 7; James M. Cain, "The Labor Leader," *American Mercury*, Feb., 1924; H. J. Greenwool, "The Parliament of Labor," *ibid.*, June, 1929.

toilers," that there exists a more sympathetic understanding of the need for maintaining dividends than of the income needs of wage earners. But whether or not that would be too harsh a judgment, undue significance can easily be attached to it.

While brains and ability in plenty originate among wage earning groups, those with the highest proficiency in leadership have been largely drawn into business and the professions. This result is inevitable in so far as the individualistic folkways regard achievement as measurable by the accumulation of wealth. Those capable in this kind of endeavor will typically "climb" from a working class status to the places where wealth is to be had. And one would suppose that in numerous instances those who remain as union officials will do so because they lack the qualifications for superior financial rewards elsewhere. Should it later turn out that these qualifications are thought to exist, it is not an uncommon practice for the American labor leader who has thus been "discovered" to knock down his services to the highest bidder. In any event, so motivated, a primary concern will be to secure from the union and from outside sources—sometimes illegitimately—the maximum possible income. This interpretation is not by way of gratuitous censure, and it is not regarded as applicable to every leader. One may wish for a greater identification of the leader with the lot of the wage earner—for more "idealism," if one prefers. Such a hope, however, should not obscure the fact that a system of values, or ways of thought, fundamentally alien to "idealism," or the self-abnegating pursuit of some remote end, such as "a good society," has become rather firmly implanted in the labor psyche. It appears, moreover, that this substitute for class consciousness fairly accurately reflects the mental bent not only of the leaders but of many of the led.

Those who reject these ways of thought as unsuitable to the wage earner because they are regarded as based upon an illusion concerning what he may reasonably anticipate, or because a profit economy fails to hold for them any esthetic or other appeal, or because these ideals block the attainment of some attractive conception of a social transformation—such dissatisfied individuals should look deeper than the personality of the labor leader for an explanation of the decadence of unionism. They should focus their attention upon the historical processes that largely shape the habits of thought and mold the point of view of succeeding generations.

The process of economic development in the United States has brought us to a stage which may be conveniently characterized as preponderantly a compound of machine technology and capitalistic control. This institutional combination has carried us to where we are. And though it may be doubted whether the achieved results have won

from wage earners the rhapsodical devotion that it is assumed by keen admirers of the system ought to be the attitude of all good citizens, the opportunities for personal advancement hitherto afforded have at least served to prevent American wage earners *en masse* from being attracted to any alternative economic system. This combination, we have seen, has accomplished even more: it has prevented any widespread development of unionism—probably a necessary preliminary, where the political forms of society are democratic, to any far-reaching critical attitude toward capitalism.

If the foregoing analysis be accepted we have still to inquire whether and to what extent the efficacy of existing institutions may be beginning to be seriously questioned by the general body of wage earners. There appears little doubt that during the present depression the minds of wage earners have been subjected to stimuli calculated to weaken any naïve acceptance of the existing order as free from serious imperfections. In the first year of the depression observers noted that men in the breadlines did not strongly complain. Their misfortunes seemed to them a species of "bad luck." Shortly they would "get a break" and once more would be earning a living. Their optimism bore a marked similarity to that prevailing in business and government circles—that "prosperity was just around the corner." "Business was fundamentally sound," an assertion, incidentally, no longer voiced so often or so confidently in this third year of the depression. Wage earners as a whole may never have been quite so positive concerning the nature of business soundness, but probably most of them were at least habitually disposed to anticipate that a better job would replace the one which had been lost. For a long time there had been a handful of rebels prophesying economic disaster, but little more attention was paid to them by the mass of manual workers than by those of the white collar groups.

At present, however, persons in contact with wage earners find that while degree of skill and economic status play a significant rôle in shaping their points of view—no unified "labor mind" exists—there nevertheless is a distinct veering toward an intensely critical attitude regarding what are considered the reasons for industrial stagnation, with its particularly heavy incidence upon the wage-earning population. Causal explanations are much in personal terms of what is conceived to be the overreaching greed of the wealthy—indicative of an individualistic way of viewing complex phenomena. But a growing belief is also evident that basic institutions are somehow at fault. There is even much aimless talk concerning the need for drastic changes, and the word "revolution"—not to be taken too seriously—is frequently employed.

An attempt to determine whether this state of mind is warranted would be fruitless. Assuming, however, that the depression will continue for a number of years, a significant orientation may occur away from the traditional point of view of large numbers of wage earners. Unless propertied interests take the lead in introducing such institutional changes as are necessary to forestall adverse opinion from those with little or no property, a decided shift in the ideology of wage earners is not out of the question. In this connection, two factors are worthy of consideration. One is that vested interests are not noted for rational pioneering in directions which involve marked curtailment of their customary "rights." The second is that economic alignments, including the absence of desirable free land and the existence of a much greater concentration of wealth, create an underlying situation which is greatly at variance from that existing in the depression years of the last quarter of the nineteenth century. In general, it appears that a prolonged depression in the United States might very well induce wage earners in numbers to adopt a conscious opposition to capitalism as a system of organizing economic activity. This conclusion is based upon the fact that capitalism in Europe has failed to win the loyal approval of the working class and upon the belief that there is nothing so basically or permanently different in the American environment to insure a completely unique working class ideology.

Should unemployment continue in large volume for a number of years, it is altogether probable that the demand for unemployment insurance will grow so strong that legislative bodies will respond with enactments. While the American Federation of Labor, registering the skilled worker's mistrust of government, until now has opposed compulsory unemployment insurance, doubtless in conformity with past precedent in its attitude on social legislation, the Federation will in all probability eventually line up for this measure. In the beginning of its advocacy the Federation may be far from enthusiastic. But upon experiencing the strong opposition of employing interests and smarting under the attacks of left-wing groups, not to speak of the criticism from rank and file elements within the Federation, the officials may be pushed into a forthright demand for unemployment insurance and an accompanying condemnation of industrialists and financiers for their intransigence. The outcome of such an experience may be expected to lead to a somewhat sharper cleavage between employers and workers. It is doubtful whether "welfare capitalism" would then seem so attractive or so promising to owning interests as in the decade following the war. And on the side of labor there might not be so much stress upon the advantages to the employer of "coöperation with organized labor," but, instead, more militant efforts to bring about a condition where there were more labor-



ers organized. However, keeping in mind the British experience, the initial consequences of unemployment insurance may be of an essentially conservative nature (this, in spite of rather obtuse and short-sighted employer opposition), the effect of which would be to create a certain tolerance among wage earners for the basic economic institutions from which emerge the maladjustments responsible for extensive unemployment. In that event, whatever militancy existed on the part of labor would be of a very mild and circumscribed kind. Yet the labor movement in time would probably show signs of disillusionment, as it has in England, where a policy of what G. D. H. Cole has aptly described as state "interventionism"<sup>24</sup> has not brought peace and content to the ranks of labor.

Any assessment of probabilities ought not to overlook the likelihood that some of the previously discussed more important obstacles to organization will continue in effect. But the lures of competitive consumption and the ambition to move "upward" into an economic and social milieu removed from that of the wage earner will not indefinitely afford the same attraction as hitherto, mainly because opportunities bid fair to become more restricted. Consequently the habit of looking upon the business groups as repositories of superior wisdom—a "deflation process" in this regard is now at least temporarily observable—is likely to be replaced by a more sceptical attitude. And although such formidable obstacles as trustification and technical change would still be present, the resulting psychic hazards would probably be less insurmountable. For the alternatives of escape would be fewer.

In such a re-orientation as is here considered possible, it is difficult to say whether political or economic aspects would have precedence. They are of course in large measure interdependent, but strategic reasons—*e.g.*, the hurdles that have to be jumped in the form of constitutional difficulties and the fact that a labor party would almost certainly be in a distinct minority for some time—make it expedient for the labor movement first to undertake the development of union and other coöperative organizations of an essentially economic nature. It must be granted, however, that the logic of this sequence could be easily deflected by a depression of such length and severity that the potential gains from collective bargaining would impress wage earners as so slight as not to be worth struggling for. Stated differently, a central concern with the immediate aspects of the job is possible only when jobs are available in sufficient number and are sufficiently attractive to warrant steady exertions for the enforcement of union standards.

<sup>24</sup> See his article in the *Nineteenth Century and After*, Nov., 1931.

In conclusion, while impressive historical evidence can be adduced in support of Professor Selig Perlman's theory that "job-consciousness" explains the policies and objectives of American unionism, it is evident that a theory plausible in explaining a habit of thought which reflected the expansive qualities and the contagious optimism engendered by the functioning of capitalism during, say, the past century, may no longer be adequate to account for the ideology of labor under markedly different industrial conditions. On the other hand, it is indisputable that American wage earners have no compellingly conscious urge at present to assume the responsibility for industry. The defensive function, however, which Professor Perlman regards as embodying the essence of "job-conscious unionism" may supply the very impetus to induce wage earners to sponsor far-reaching programs for the control and ownership of industry. If capitalism demonstrates for any considerable period an incapacity to satisfy the wants it has awakened and has, to a degree, previously satisfied, there should be no complaint when those whose only important possession is their ability to make a living begin to envisage other institutional arrangements.

LYLE W. COOPER

*Marquette University*

## NET VALUE OF MANUFACTURES

The *gross value of manufactured products*, as reported periodically for the country by the Bureau of the Census, represents the aggregate of industrial transactions in the products of the factory, rather than the value of the finished output of the nation's manufactures. Misunderstanding of the nature of the gross figure, despite repeated explanations by the Bureau, leads to frequent misuse of the item in such projects as: analyses of the proportionate costs of the several production factors, establishment of an equitable value base for a manufacturers' sales tax, and determination of the relative rank of industries or communities. Most of the duplications which occur in gross value on account of the use of the products of certain plants as materials for further production by other plants are absent in *net value of manufactures*, an amount equal to the sum of value added by manufactures plus the cost of raw materials and imported semi-manufactures. The gross value of manufactures for 1929 (\$70,434,863,000) exceeded the estimated net value (\$47,243,000,000) by 49.1 per cent.

Those who use the statistics of the censuses of manufactures in connection with problems in such fields as distribution, taxation, and wages frequently want to know the value of manufactured goods ready for ultimate consumption. Many persons persist in referring erroneously to the \$70,434,863,000 in value of products reported for 1929 as the f.o.b. factory value of the nation's manufactures. This sum really represents the aggregate of industrial transactions in the products of the factory and as such it contains considerable duplications of value, due to the use of the products of certain establishments as materials in others. The pyramiding of value hampers analysis of the distribution of the factory product.

Although census-of-manufactures statistics do not show manufacturing costs broken down as minutely as all users of them may desire, they do afford an insight into the shares received by most of the contributors to the manufacturing processes. While the portions for (a) wages, (b) salaries, (c) materials and containers for products, and (d) fuel and purchased electric energy are differentiated in census reports, the combined share which goes for (e) other expenses and manufacturing profits must be calculated by subtracting the sum of items (a), (b), (c), and (d) from the gross factory value of output. Only the items (c) and (d) contain any considerable amounts of duplication, but the existence of duplication in these items as well as in that for value of products prevents the percentage distribution of the product among all the factors creating it. When, however, the cost of the crude materials and the net value of products are once determined, such a distribution becomes practicable, as shown in the table on page 661.

It is clear from the table that the aggregate gross value of products, if taken to represent the f.o.b. factory price of manufactures, exceeded the net value—i.e., the factory value of manufactured output in condition for the ultimate consumer—by approximately 49 per cent in 1929. Estimates of aggregate national income usually assign to manufacturing

TABLE I

	(000 omitted)	Per cent of gross value	Per cent of net value <sup>1</sup>
Salaries .....	\$ 3,595,064	5.1	7.6
Wages .....	11,620,973	16.5	24.6
Materials and containers .....	36,683,414	52.1	30.8
Fuel and purchase energy .....	1,866,166	2.6	2.8
Other expenses and profits .....	16,669,246	23.7	35.3
Gross value of products .....	70,434,863	100.0	149.1
Estimated net value of products .....	47,243,000	67.1	100.0

<sup>1</sup> The items in this column do not add to 100 because of the deduction of the cost of contract work. (See footnotes to Table III.)

<sup>2</sup> See Table III, columns 4 and 2, for values used in computing percentage.

industry an amount corresponding to "value added by manufacture," but if one desires to measure the final factory value of manufactured output without duplication, the use of gross instead of net value constitutes a clear exaggeration of the product.<sup>1</sup>

Other grotesque errors into which this duplication of value may lead careless users of census statistics may be illustrated by reference to a chart prepared recently by a well-known social organization. This chart showed the shares of the product manufactured in 1929 attributed to the several factors and called attention in the analysis which accompanied it to the wide spread between the wage received by the workers and the total income from the factory output. Without entering into a discussion here of the justice of the two shares, it is but fair to say that the \$11,000,000,000 of wages and the \$70,000,000,000 of gross product are not comparable figures, the former being free from duplication and the latter containing approximately 49 per cent of value in excess of the factory price of finished manufactured goods.

A similar criticism by a labor-union periodical of the capitalistic system as manifested in the distribution of the manufactured product made a less questionable use of census statistics. The editor pointed out recently that "value added" is the "amount remaining to be divided by capital and labor" and that "capital (referring to a report covering the counties in the New York City 'industrial area') . . . got . . . roughly 25 per cent more than the entire labor bill" (wages and salaries). "In other words the workers of this 'industrial area,' though better paid than through most of the country, could buy back considerably less than half the value they added to the goods they handled." The point is that this writer in singling out "value added" deals with factors which are comparable and not inflated by duplication. It is not proper, however,

<sup>1</sup> A chart which recently attracted considerable attention showed the flow of product from producer to consumer in the several fields of industrial activity. An amount representing gross value of products was erroneously interpreted by some persons as the final factory value of manufactured products.

to credit the combined share for "other expenses and profits" entirely to capital as this writer seems to have done. There are supposedly crowded into the item a multitude of factory expenses, some of them pure returns to capital, while others, such as taxes and obsolescence charges, which comprise indirectly payments for labor, are not entirely returns on investment.

In levying a sales tax on manufactured products at the source, the establishment of a gross rather than a net-value base would be manifestly inequitable. Unless precautions were taken to prevent discrimination, the vertically-integrated automotive manufacturer, for example, who begins with the iron ore and carries production through all successive stages to the completed car, reporting only the final and unduplicated value, would have an advantage over a rival who purchases parts from other manufacturers, who in turn buy steel from rolling mills operated by other concerns, etc. In practice, either the completed product would be taxed; or, if all manufacturers were taxed, a system of license exemptions would be applied to provide an escape from inequities arising from duplications of values. In either case the principle of net value would be required as the basis of equitable taxing procedure.

The extent of the duplication of value from census to census should indicate the trend in the division of processes or the "roundaboutness" of manufacture. A tendency to route materials through more and more different plants during the processes of fabrication should produce a widening gap between the net and gross value of products.

### *Cause of Duplications in Value*

When a number of manufacturers, some of whom sell their products to others to be used as materials for further manufacture, report to the Bureau of the Census the cost of materials purchased and the factory value of goods produced during a census year, aggregates for each of the two items will contain duplications of value, the amounts depend-

TABLE II

<i>Plant "A" (blast furnace)</i>		<i>Plant "B" (rolling mill)</i>	
Cost of iron ore .....	\$ 500	Cost of materials .....	\$ 650
Value added by manufacture .....	150	Value added by manufacture ....	300
Value of products sold to "B" ....	650	Value of products sold to "C" ....	950
<i>Plant "C" (machine shop)</i>		<i>Summary</i>	
Cost of materials .....	\$ 950	Gross value of products of	
Value added by manufacture ....	1500	plants "A," "B," and "C" .....	\$4050
Value of finished products .....	2450	Cost of materials:	
		1. Raw .....	800
		2. Semi-manufactured .....	1600
		Value added by manufacture .....	1950
		Net value of products .....	2450
		Per cent net value is of gross ....	60



ing upon the number of times the materials pass from factory to factory before their fabrication is completed. A hypothetical example of the manner in which the duplications occur is shown in Table II.

If all manufacturers consumed only raw materials and turned out only products ready for ultimate consumption, the figures for their combined activities would contain no duplication in the materials and value-of-products items. Manufacture, under these hypothetical conditions, would consist simply in adding value to given raw materials within a single establishment, and the reports made for such establishments would cover only the values of products ready for sale to ultimate consumers.

But such simplicity is not typical. The manufacture of most products is, as a matter of fact, divided among a number of plants, each specialized in one or more stages of production, the materials passing from one establishment to another until the cycle is finally completed. For example, in recent years important changes have occurred in the manufacture of miniature electric lamps, such as are used for automotive vehicles and flashlights. Formerly the bulbs were blown, the bases formed, and with filament and lead-in-wires procured from specialized wire plants, the parts were made and the lamps assembled within a single establishment. Now bulb blowing by machinery is the function of specialized bulb works, bases are the product of base works, and the lamps are finally assembled in plants which secure all the necessary materials and parts from other specialized establishments.

There is, to be sure, some tendency to telescope processes within a single plant through the use of series of semi-automatic machines, but the opposite tendency to spread out processing seems to have been the more prevalent during recent years. Since all plants, even though groups of them may be under common control, generally submit individual returns to the Bureau of the Census, duplications in aggregate values of materials and products occur in the way that has been described. Thus it is that "value of products," as shown in reports of the Census of Manufactures, represents gross, not net value. The users of census statistics are constantly warned, however, of the existence of the duplications and are advised to make use whenever possible of "value added by manufacture," an item which, as has been said, is almost entirely free from pyramided value.

The recent estimate of net value by the Bureau of the Census was not the first attempt to determine the amount of duplication which exists in gross value of products. In the final reports<sup>2</sup> for the censuses of manu-

<sup>2</sup>See *Twelfth Census of the United States—1900*, Vol. 7, *Manufactures*, Part I, pp. cxxxix-cxlii; also, *Special Reports of the Census Office—1905*, *Manufactures*, Part I, pp. ci-cxiii.

factures for 1899 and for 1904 both gross and net values were reported, the calculations having been facilitated by the specification on the manufacturers' returns of costs for both raw and semi-manufactured materials. So much objection was raised by manufacturers who complained that their books of account failed to distinguish adequately between the two types of materials that the schedules have not since called for a separation of the materials cost. Dr. E. Dana Durand calculated the net value of manufactures from returns for the census year 1925.

Since the data on consumption of materials for 1929 were more comprehensive than any secured previously, it was believed that the Census was in a better position than ever before to reduce to a minimum the error in estimating net value. To report the consumption of materials and containers, all manufacturers were instructed to specify in one sum the "cost of materials and raw stock actually used (including those transferred from other plants under the same ownership) during the period covered by this report, which entered into the products manufactured, together with the cost of containers for products." In addition, the special schedules for about half of the industries called for a detailed listing of materials consumed, but the manufacturers in the industries canvassed by the other half of the schedules were required only to "specify principal kinds of materials or stock, in order of importance," with no cost data for individual items. Fuel consumed, on the other hand, was called for by kind, quantity, and cost. While the returns from these inquiries were of great assistance in separating the costs of raw materials from those of semi-manufactures, the data were limited in usefulness in at least three respects: (1) Only 185 out of 326 industries were required to itemize the materials used, (2) on some schedules only principal materials were called for, and (3) the inquiry was handled by the manufacturers as unsatisfactorily as was any on the schedule. The result was that for a number of industries the returns were considered so incomplete that they were not tabulated. If all manufacturers had been required to report consumption of materials in detail and the returns had been satisfactory, determination of net value would have been primarily a matter of simple addition of reported values rather than an estimate.

The inadequacy of the returns was not so disastrous as might be expected, however, for many of the 326 industries consumed practically no raw materials except fuel. Consider for example the automotive-vehicle industry which uses practically no materials that have not been processed in some other industry or industries. Iron, originally a product of the blast furnace, becomes steel in the rolling mill, and possibly after that it is made into component parts in parts plants before being transferred to automotive-vehicle manufacturing establishments.

*Methods of Estimating Net Value*

Net value of manufactures is equivalent to the sum of the values of the raw materials, including fuels consumed in their natural state, plus imported semi-manufactures and "value added by manufacture." A more practical means of arriving at the value is to break down the "materials, containers, fuel, and purchased electric energy" item into raw materials and semi-manufactures and to deduct from the gross value of products the values of the semi-manufactures (including manufactured fuel) produced in the United States. Imports of semi-manufactures, not having been reported as products by industries of the United States, should, for this particular purpose, be treated as raw materials and should not be deducted from the gross value. As a matter of fact, it would be desirable to separate materials costs into those for raw materials of (a) domestic origin and (b) foreign origin, and semi-manufactures of (c) domestic origin and (d) foreign origin. Only the cost of domestic semi-manufactures should of course be deducted from the gross value to get the net, although for certain other purposes it is desirable that the other three materials cost increments be kept separate.

Customs records furnish an authoritative basis for estimating the quantities and values of raw and semi-manufactured imports consumed in domestic manufacturing establishments. The Bureau of Foreign and Domestic Commerce reported the values of raw and semi-manufactured imports for consumption for 1929, exclusive of duty and carriage charges, as follows: crude materials (other than foodstuffs), \$1,558,620,000; crude foodstuffs, \$538,560,000; semi-manufactures, \$885,051,000. In using these figures to estimate the value of imports used as materials in manufacturing establishments of the United States, small deductions were made from the values of such items as crude foodstuffs, coal, and certain fertilizer materials, which were imported for sale to consumers rather than for use in further manufacture. The cost of "raw materials and imported semi-manufactures," as given in the table, includes \$283,565,000, the cost of scrap iron and steel used in the three industry groups: "iron and steel and their products, not including machinery"; "machinery, not including transportation equipment"; "transportation equipment, air, land, and water."

Census practice has linked together the circulating-material items, summary tables often carrying as a single item "cost of materials, containers, fuel, and purchased electric energy." Data for the cost of manufactured fuels should be handled similarly to those for the cost of domestic semi-manufactures in computing net value, while the cost of raw fuels and purchased electric energy should be considered with that of raw materials, since neither are previously reported as products by an establishment assigned to any manufacturing industry.



Cost of contract work in the printing and publishing field and in textile manufacture constitute clear duplications in value, since the contractor reports directly to the Census the income received from contract work as the value of his product and the sum is included again along with other manufacturing costs in the value of products reported by the manufacturer for whom the work is done. In no other industries is contract work of any importance.

Another method of determining net value is to find the sum of the factory values of those manufactured products which are ready for ultimate consumption. Insufficient data, however, render such a method impracticable, for it is difficult to determine at all accurately from the detailed product tables what portion of such commodities as paint and hardware is for further use in manufacture and what part is destined for direct consumption. Net value is equivalent to the factory value of goods ready for ultimate consumption only in the aggregate for all industry groups. While \$47,243,000,000 is the estimated factory value of the total of all finished manufactured products for 1929, \$4,202,000,000 is not the factory value of products ready for consumption in the iron and steel group of industries. (See Table III.) Much of it represents the value of semi-manufactures for use as materials in plants classified in other industry groups.

### *Duplications in Geographic Areas*

The duplications of value occur in geographic areas as well as in industries. The foundries in a given city, for example, sell their castings to implement manufacturers in the same city, and both classes of industries report the value of the foundry castings in the value of their output. Communities in which much diversification of manufactures occurs are likely to report greater aggregate value of products than are other communities with equivalent industrial activity in which manufacturers carry on in single plants most or all of the processes involved in starting and completing the manufacture of individual products. While the extent of duplication of value may be sufficiently similar among a group of industrial communities to permit comparing them with one another, exaggeration exists in the actual factory value of output of each of them.

This duplication is likely to be very pronounced, for example, in a well-developed steel-producing center. A high degree of specialization in fabrication may lead to the flow of given materials through a half dozen or more plants as follows: Iron ore to the blast furnace (pig iron), to the steel works (ingots), to the rolling mill (bars), to the wire works (wire), and finally, to the nail plant (nails). Each of the five plants may report the value of the same materials, though in a different state of fabrication, resulting in a tremendous duplication in materials



and products. If the plants are controlled by one organization, the duplication may be eliminated from the combined reports for the plants by requiring the subsidiaries to report "interplant transfer" values which may be subtracted from the aggregate value of products of the city. If the plants are not centrally controlled it may be difficult to trace the interchange of materials and products and to determine how much duplication of value actually occurs within the community.

#### *Increase of Duplications*

Since the net value of manufactures for 1899 was found to be 64.4 per cent of the gross value, as compared with 67.1 per cent for 1929, one might conclude hastily that the apparently decreasing spread between net and gross value indicates less tendency for materials to pass through several plants before emerging as finished products. Several conditions, however, prevent the formulation of any final conclusion concerning the distribution of manufacturing processes between plants from analysis of the net-value figures for 1899, 1904, 1925, and 1929. One condition has to do with industry classification. While the growing complexity of modern manufacture might be expected to increase the number of industries into which manufacturing establishments are classified by the Census, such is not the case, the number of industry breakdowns having decreased from 354 in 1899 to 326 in 1929. This tends in general to decrease the duplication of value between industries, to narrow the gap between net and gross value, and to give the appearance of the contraction of the processing of given materials within fewer plants. The failure to give separate treatment to imported materials in the net-value calculations for the years 1899 and 1904 also worked in the direction of reducing the spread between net and gross value. Recent merger activity, leading to an increase in the number of plants brought under centralized control, should in itself have little effect toward either increasing or decreasing duplications of value, since returns to the Census are made, as a rule, for individual plants whether independently controlled or subsidiary to central-office organizations. Allowing for the effects of changes in industry classification and in methods of computation, it seems safe to conclude that recent developments in industry have been such as to increase the spread between net and gross value.

TRACY E. THOMPSON

*The Ohio State University*



## TECHNOLOGICAL CHANGE AND ORGANIZED LABOR IN COMMERCIAL PRINTING

The great printing centers of the country are New York City and Chicago. New York produces largely under union agreements and Chicago largely without union agreements. Competition for long-run printing is keen between New York City and other localities where rentals and transportation expenses are lower and trade unions are weaker. This results in migration of printing from New York. Competition is also keen between union and non-union printerries within New York City. But in all cases, while lower wage scales and complement of men and a larger adoption of new-model presses, appear to make non-union printing more profitable, final evidence is elusive as to whether it is more profitable, and also as to whether organized labor materially retards technological progress. Obversely, however, the life of the press assistants' union is endangered as a result of the vestigial character of the hand press-feeding occupation.

### *Introduction*

New York City employers in commercial printing have for years been faced with two major and closely interlaced problems that have influenced them when bargaining with their organized employees: (1) adjustment of shop practice to the new pressroom equipment, and (2) profitable operation under highly competitive conditions.

In a previous article<sup>1</sup> the writer has set forth at some length the main outlines of the first of these two problems—the nature of modern pressroom equipment and its processes, and the manner in which its accelerated adoption has affected the employment of pressmen and press assistants or “feeders.” There it was shown that technology has rapidly advanced in two forms since 1912: first, replacement of the hand feeding presses by machine feeding which eliminates the generic function of the press assistant; and second, the introduction of small, high-speed, automatically fed presses (job automatics and small cylinders) which tend to relegate the older models (platens and large flat-bed cylinders) to semi-obsolescence.

Analysis of a representative group of union pressrooms in New York City for the five-year period 1924 to 1929 brought the significant conclusion that, as a result of these technical improvements, the demand for skilled men as compared with those less skilled has increased rather than diminished. Although the displaced manual feeders appeared largely to have been transferred to general assistance of the pressmen on the machine-fed presses, the demand was progressively waning for these semi-skilled men, who less and less are considered indispensable, and who have offered many difficulties to pressmen as well as to employers because of their numerical and political strength and their frequent lack of ambition. On the other hand, employment opportunities relatively

<sup>1</sup> *The American Economic Review* for September, 1930, pp. 442-466, “Unemployment and Technical Progress in Commercial Printing.”

expanded for the highly skilled pressmen who are increasingly asked to take over what is left of the assistants' presswork.

The discovery that men had not been discharged because of technological changes to the extent that had been anticipated when this investigation was undertaken has been explained by the continuous expansion of the industry, together with the shop custom of transferring men from old to new processes under conditions of relatively high labor turnover. Still closer analysis, however, discloses the fact that despite the expansion of commercial printing up to 1930, which gave employment to an increasing number of pressroom workers from year to year, fewer men have been employed to each one hundred of the newer presses than to each one hundred of the old. And this is a fact which opens opportunity for speculation as to the trend of employment as the new presses continue to replace the old.

The second major problem which confronts employing printers and which of course includes the first—that of meeting competition—was given little consideration in the previous article. This, in essence, is the subject of the present paper, with special reference to the possible influence of organized labor upon the location of the industry and its adjustments to the new pressroom techniques. The International Printing Pressmen and Assistants' Union is one of the important affiliates of the American Federation of Labor, and its strongest local branches are in New York City. In what way has the installation of the new machines been affected by the policies of this powerful union, and to what extent has union strength been modified or enhanced by technological change? On a later occasion these questions will be discussed qualitatively, in those aspects that do not bend to statistical measurement. At this time we shall observe objective evidence found in union and in non-union<sup>2</sup> cities and shops in so far as the limits of this inquiry have permitted them to be gathered.

Mention of the present state of affairs in New York City, where union offices greatly predominate in volume of printing, will serve as an introduction to our main theme. Although the existing trade agreements extend to December 31, 1932, the pressroom workers (as well as several of the other groups in commercial printing) last spring accepted a seven per cent reduction in wage scales and made important concessions in respect to the complement of men, effective in March, 1932. These were adjustments to the grim pressure of the general business depression, but their significance reaches far beyond the depression—toward more decisive and perhaps more painful adjustments to the new technology than have thus far been made. For, simultaneously with the

<sup>2</sup> By "non-union" is meant both "open" shops and those entirely closed to union men, in other words all of those printing offices that do not sign agreements with the pressroom unions, in contrast to those union shops that do sign such agreements.

proposals for modification of their contracts because of the slump in business, the employing printers launched a high-powered drive for permanent reorganization of the pressroom. This reorganization, the employers maintain, is necessary to their survival in the face of non-union competition. Entirely in the open they aim their guns directly at the press assistants—toward the reduction of their complement in the operation of the automatically equipped presses.<sup>3</sup> "Something has to be done and soon," they say, "to establish a sound constructive policy which will give our union plants an opportunity to produce both in quantity and quality at lower unit costs to insure more employment through not only keeping the work they now have but in getting more work. The only other solutions are to move out of New York City, go open shop, or reduce wages."<sup>4</sup>

### *The Migration of Printing*

Without pursuing further this immediate controversy, it must be pointed out that the alternatives of migration from New York City or relief from the high cost demands of the unions have, as has been the case there and elsewhere in the textile trades, long been submitted by employing printers in the process of collective bargaining. The high wages paid to pressroom workers in New York as compared with Chicago and elsewhere, the shorter working week in New York and the larger complement of men required to run the presses, are frequently the declared causes of those departures from New York City that have already been made. And the fear of diminishing employment opportunities in New York as a result of migration has, at times, tended to modify the program of the unions as well as to influence the decision of the arbitrator where employers and workers could not agree. For it is true that dozens of large publications which once were produced in New York City are now printed elsewhere. *The Encyclopedia Britannica* is a single outstanding example. *Harvard Classics* is another. The first 50,000 copies of Wells's *Outline of History* were printed in New York City on a press newly installed for the purpose, but the order for the second 50,000 was lost to an out-of-town competitor. In arbitration proceedings in 1929, the New York closed shop employers attested that "over 180,000,000 copies of magazines annually have gone out of New York City, most of them to non-union plants operating at lower wages

<sup>3</sup> And in five years the complete elimination of their union.

<sup>4</sup> From the official letter to Major George L. Berry, president of the International Printing Pressmen and Assistants' Union, under date of August 1, 1931, by Mr. F. A. Silcox, Secretary of the Printers' League Section, New York Employing Printers' Association, Inc. At the time of writing no reply to this letter had been received from President Berry.

and on a forty-eight hour week basis,"<sup>35</sup> stating that the ——— is the only "really large" nationally circulated magazine which is left in New York City. *Colliers*, *Cosmopolitan*, *Delineator*, *Good Housekeeping*, *McCall's* and one-half of the *Pictorial Review* are a few of those listed as having gone—some to Chicago, others keeping nearer New York.

Commercial printing migrates like any other made-to-order product, as buyers cast about for the lowest bidders or as producers gather sufficient hope of bettering themselves. At times single presses designed for printing specific publications are transplanted; at other times, entire printeries move. But migration from New York City is prompted by factors other than those which organized workers represent. These factors are both political and economic. The postal-zoning law of 1918 is said to have militated against New York City. Although the large markets for books and periodicals have always clustered in the east, the fact that the zone circle about New York includes some 500 miles of sea is said to put New York City at a disadvantage as a mailing center. Furthermore, the high cost of carting tons of paper from railroad to warehouse, from warehouse to printery, thence, printed and bound, back to the railroad, has made it impossible for New York printers to bid against those who enjoy a railroad siding at their door. Other scarcity values in the form of high rentals for storage and printing facilities have added enormously to the difficulties of the New York printer in bidding against firms operating elsewhere.

Thus, as costs have mounted, large-edition printing has been leaving New York City. Sometimes it is only the press and the bindery work that go, editorial offices and the composition process remaining where the pulse of the market is felt, where editorial and advertising policies vibrate as copy goes to be tapped out on the linotype. Trade-composition houses which make forms to order for commercial printers, but which neither print nor bind, consequently claim a rising relative importance in New York City. Keeping in close touch with the executive and editorial offices that supply them with copy, these houses set up the forms and send them away to be printed.

In spite of all this, the tremendous importance of the time factor—in periodicals that carry current news, for example—has held printing within New York City or has enabled New York printers to retrieve some of the orders once lost to competitors outside. Whatever services the future may bring to minimize the element of time—by airplane, by telegraph, by telephotograph, by television—so far, New York's relative importance as a source of copy and as an economical distribution point

<sup>35</sup> *Prima facie* brief of the Printers' League, New York Employing Printers' Association vs. the New York Press Assistants' Union No. 23, November, 1929, p. 29. The unions frequently deny that there is a flood of printing leaving New York in excess of that which comes to New York.



enables her to hold pretty steadily nearly one-quarter of the country's book and job printing.

### *New York and Chicago as Printing Centers*

Next to New York City, Chicago has long been a close second in importance as a printing center, producing some 15 to 17 per cent of the country's supply. The fact that no other metropolis in the United States does as much as five per cent of the printing throws these two cities—which, combined, produce 40 per cent—into high relief in the printing world.

New York and Chicago are distinctive for two other reasons which may be partially interdependent: first, because of the wide difference in the degree to which their pressroom workers are organized, and second, because of the reciprocally changing character of their printing. In 1929, 85 per cent of New York's book and job printing was produced under union-management agreement. In Chicago on the other hand, only two-fifths was by union agreement.<sup>6</sup> Moreover, the unions in Chicago are far less potent than they were twenty years ago, so that the status in general of Chicago pressroom workers in the matter of their wage scales and the complement on the presses is perceptibly lower than that of New York City. In fact it appears to be safe for the purposes of rough comparisons of pressroom performance which are about to be made to think of New York City as a union center in commercial printing and of Chicago as a non-union center.

The change in the character rather than in the volume of printing in New York City and in Chicago appears so far to be the net result of all of the contending forces which have been described. As advertising, editorial and other business headquarters in New York City expand, New York tends to produce more and more relatively short-run and short-order printing. Business men send copy to their printer on Monday with a demand for delivery of the finished product on Tuesday. "Purely stock material for which there can be no unexpected demand has already left New York in large part. . . . There still remains, however, a surprisingly large amount of standard form printing in New York—bills of lading, telegraph blanks, express forms, etc."<sup>7</sup> Also many dozens of the smaller periodicals are printed in New York City

<sup>6</sup> From *Wage Scales Where Reported*, issued monthly by the United Typothetae of America. It is admitted by the secretaries of the respective employers' associations who submit these data, however, that they are "conversational figures." And it should be added that the typographical union, the compositors, has remained relatively strong in Chicago, so that the over-all estimate of two-fifths as union-produced printing is high as an estimate of union production in the pressroom.

<sup>7</sup> A. F. Hinrichs, *The Printing Industry in New York and Its Environs*, Regional Plan of New York and Its Environs, 1924, pp. 27-28.

where they are so largely read. Chicago and the Middle West region, on the other hand, in addition to their own job work, have absorbed the printing of an increasing proportion of the non news-bearing magazines and catalogues for national circulation.

Whether or not, then, the strength of the unions in New York City and their relative impotence in Chicago have been major causes of this migration of printing appears so far in this analysis to be an open question. Looking further, how do these cities compare in their adoption of the new printing equipment? Has New York been retarded while Chicago printers, relatively union-free, have gone ahead?

### *Technical Progress in New York City and in Chicago*

First of all, in attempting to answer these questions relating to organized labor's influence upon technical progress, it must be pointed out that the nature of the printing equipment in New York and in Chicago and the size of their respective plants, perhaps regardless of organized labor, necessarily reflect the differences in the character of their printed products. Since 1914, 12 to 15 persons have been the average number employed per establishment in New York City, whereas the average for Chicago is 19 to 25 persons.<sup>8</sup> In 1929, it took the 22 largest printing offices in New York City to represent \$11,000,000 in payrolls, whereas in Chicago the three largest plants had payrolls of \$12,000,000.<sup>9</sup>

#### *(a) Automatic Feeding*

What, now, are the actual differences in the growth of modern press-room machinery in New York and in Chicago. The accompanying fan diagram with its supporting "boxes" gives the numerical facts about automatic feeding.

The first glance at this "fan" commands notice of the meteoric rise of automatic feeding since 1913, and the plateau which hand feeding has reached. But more to the present point is that Chicago bolted far ahead of New York in the rate at which she adopted automatic feeding during the 16 years, increasing 220 times as compared with 80 times for New York.

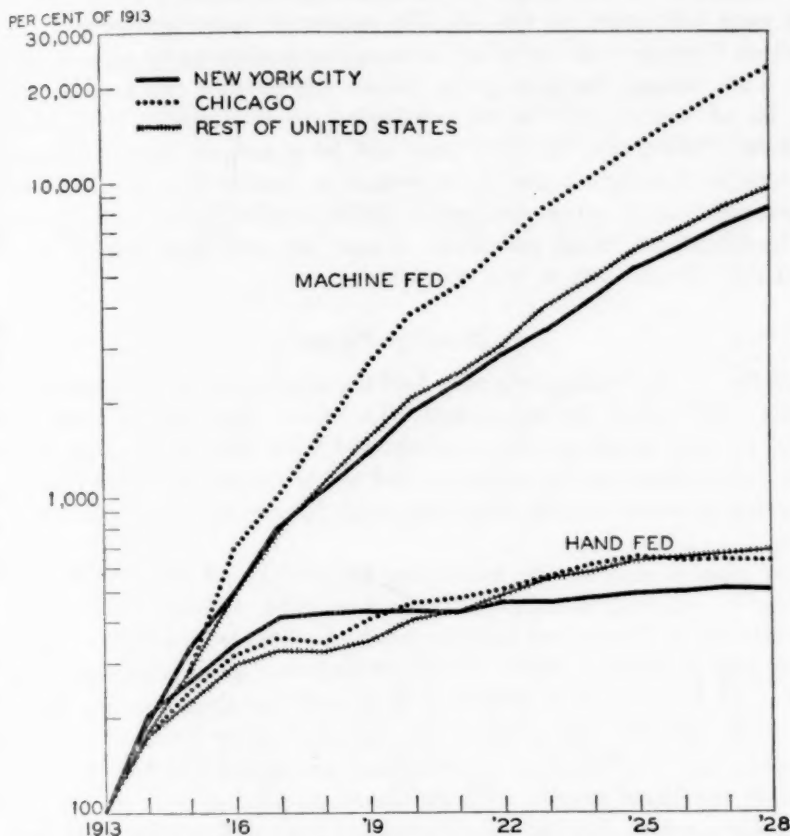
To be sure, caution is necessary here lest the growth lines mislead. The inserted box diagrams show that despite the rapid increase in automatic feeding on cylinder presses, Chicago's presses at the end of the 16-year period were on the whole substantially less machine-fed than those of New York. The higher rate of advance sprang from Chicago's

<sup>8</sup> *Census of Manufactures, Book and Job Printing*. For the rest of the United States the average number of persons employed per establishment since 1914 is from 8 to 11.

<sup>9</sup> Told to the writer by the Secretary of the Printers' League Section, New York Employing Printers' Association, Inc.

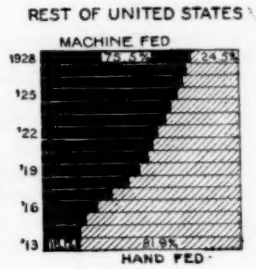
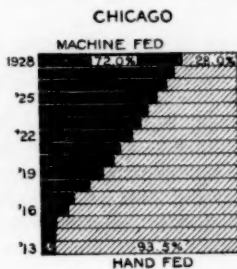
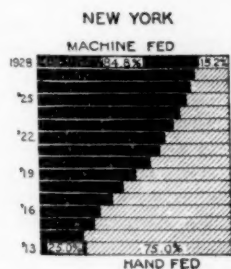
CHART I

RATES OF GROWTH OF MACHINE-FED AND HAND-FED FLAT-BED CYLINDER PRESSES FOR  
NEW YORK CITY, CHICAGO AND THE REST OF THE UNITED STATES, 1913-1928<sup>1</sup>



<sup>1</sup>The slopes of the lines are comparable at every point and they mean rates of growth from period to period.

PROPORTIONS OF CYLINDER PRESSES WHICH WERE MACHINE-FED AND HAND-FED IN  
NEW YORK CITY, CHICAGO AND THE REST OF THE UNITED STATES,  
CUMULATIVELY BY YEARS, 1913-1928



relative backwardness at the starting point when only nine of her presses were machine-fed as compared with 45 in New York. This made every 100 automatic feeders added to the nine register much greater growth than each 100 added to the 45. The somewhat more accelerated rate at which Chicago was installing mechanical feeders as compared with New York during the last years before the present business depression is, of course, not to be overlooked in this search for causal relations. Conversely, the fact must not be unnoticed that even after this long mechanization period, more than a quarter of a century after the introduction of automatic feeders, 28 per cent of the cylinder presses in Chicago where union power has waned are still hand-fed as compared with 15 per cent in New York.<sup>10</sup>

### (b) *Printing Presses*

But automatic feeding tells only half the story of pressroom mechanization; what about the other half? To what extent has Chicago installed the new-model presses as compared with New York—the high-speed, job automatics, for example, and the labor saving two-color and perfecting presses? Again, diagrams and figures are our best single guide.

Here also is evident the narrowing superiority of New York over Chicago in printing technique. Whereas in 1914, Chicago had no job automatics while New York had one-tenth of all those sold in the United States, and whereas in 1917 New York had over seven times as many as Chicago, by the end of 1928 New York had less than twice as many. New York had two and a half color and perfecting presses for every one in Chicago in 1917, and only one-third more than Chicago by 1929. The lines for these presses indicate about parallel growth in the last two or three years. For the other presses it is clear from the table that lines would show definite although less spectacular gains for Chicago as compared with New York City.

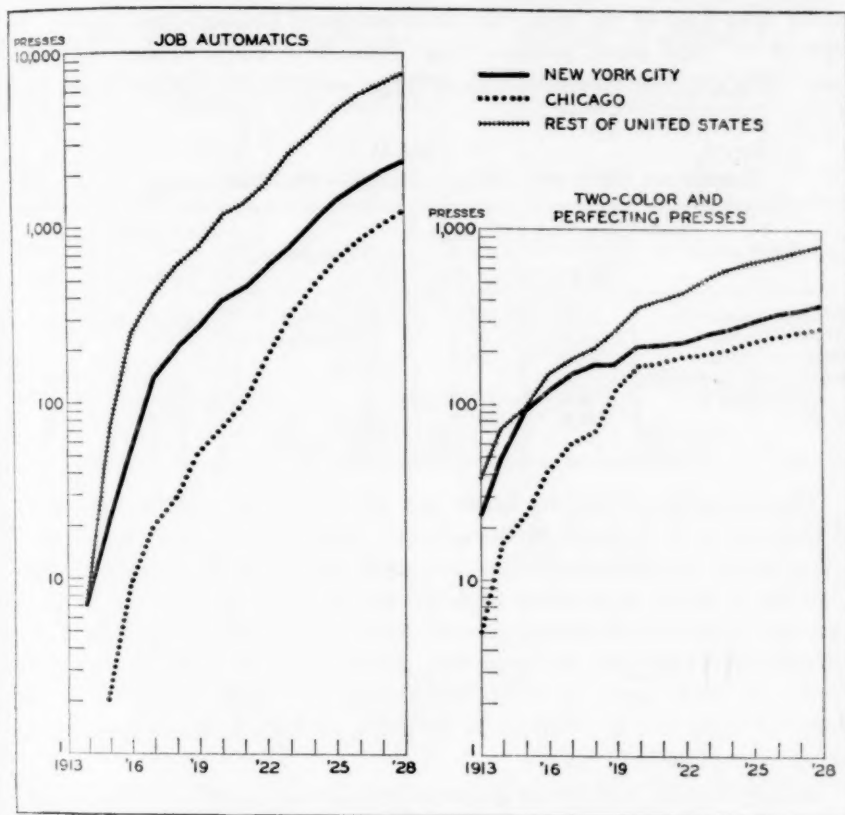
The changing character of printing in New York and in Chicago appears to be further traceable in a quick comparison of the components of their cylinder press equipment as seen in the records of sales shown in Table II.

New York printers have installed more small presses to do their shorter-run job printing and Chicago printers more large presses to

<sup>10</sup> Very short-run work does not invite investment in automatic feeders. Printers disagree as to how long a run must be to warrant setting the feeder, but probably 2,500 to 3,000 impressions is a conservative minimum estimate. Furthermore, some materials that pass through printing presses are said still to be more satisfactorily fed by hand, such as cardboard posters or onionskin paper, the feeding of which is more than usually sensitive to atmospheric conditions.

CHART II

RATES OF GROWTH OF JOB AUTOMATIC AND TWO-COLOR AND PERFECTING FLAT-BED CYLINDER PRESSES IN NEW YORK CITY, CHICAGO AND THE REST OF THE UNITED STATES, 1913-1928<sup>1</sup>



<sup>1</sup> The slopes of the lines are comparable at every point and they mean rates of growth from period to period.

TABLE I

PER CENT EXCESS OF NEW-MODEL AND OLD-MODEL CYLINDERS AND OF HAND-FED AND MACHINE-FED CYLINDERS IN NEW YORK CITY OVER CHICAGO FOR 1914, 1917 AND 1928<sup>2</sup>

Press Group	1914	1917	1928
New models			
Job automatics . . . . .	— <sup>3</sup>	611	95
Small cylinders . . . . .	27	33	20
2-color and perfecting cylinders . .	194	153	34
Old models <sup>2</sup>			
Large cylinders . . . . .	38	32	22
All cylinders . . . . .	49	65	54
Hand-fed . . . . .	22	20	-17
Machine-fed . . . . .	438	291	81

<sup>2</sup> Sales figures for platen presses were unavailable by cities.

<sup>3</sup> Chicago had no job automatics; New York had 7.



do their longer-run magazine and catalogue printing. Job automatics, even after their rapid adoption in Chicago, formed but 42 per cent of all of Chicago's cylinder presses, whereas in New York they were more than half of the total. On the other hand Chicago uses more large cylinders<sup>11</sup> and color presses than does New York. These expensive machines are uneconomical unless large orders come in to keep them busy.

TABLE II  
PERCENTAGE WHICH SALES IN GIVEN PRESS GROUPS WERE OF TOTAL SALES

Press group	New York	Chicago	Press group	New York	Chicago
	To January 1, 1929			To January 1, 1929	
Job automatics	53.7	42.3	Old models	23.7	29.9
Small cylinders	14.6	18.6	New models	76.3	70.1
Large cylinders	23.7	29.9		January 1, 1914	
2-color and perfecting cylinders	8.0	9.2			
Total	100.0	100.0	Old models	68.3	73.2
			New models	31.7	26.8

The necessity of keeping large and expensive machines well occupied if they are to be a profitable investment, is, of course, even more true of the rotaries. As Chicago printers have acquired more large-edition printing, the proportion of these high production presses has grown. Complete sales records of rotary presses could not be secured for this study, but the secretaries of the respective union employers' associations estimate that while the number of magazine-web rotaries in New York had dropped from 177 in 1920 to 60 in 1929, at least 300 of these presses are in operation in Chicago.

In adoption of new printing equipment, then, the advance in Chicago has been swifter than that in New York. Chicago is still behind the larger center in printing strength but shows marked relative gain. It may be correct to interpret this trend in part as reflecting Chicago's freedom from strong union importunities, but when so doing the facts of congestion and of scarcity values in New York as reflected in rentals and in cost of trucking must not be overlooked, for it may be that they are at least of equal importance.<sup>12</sup>

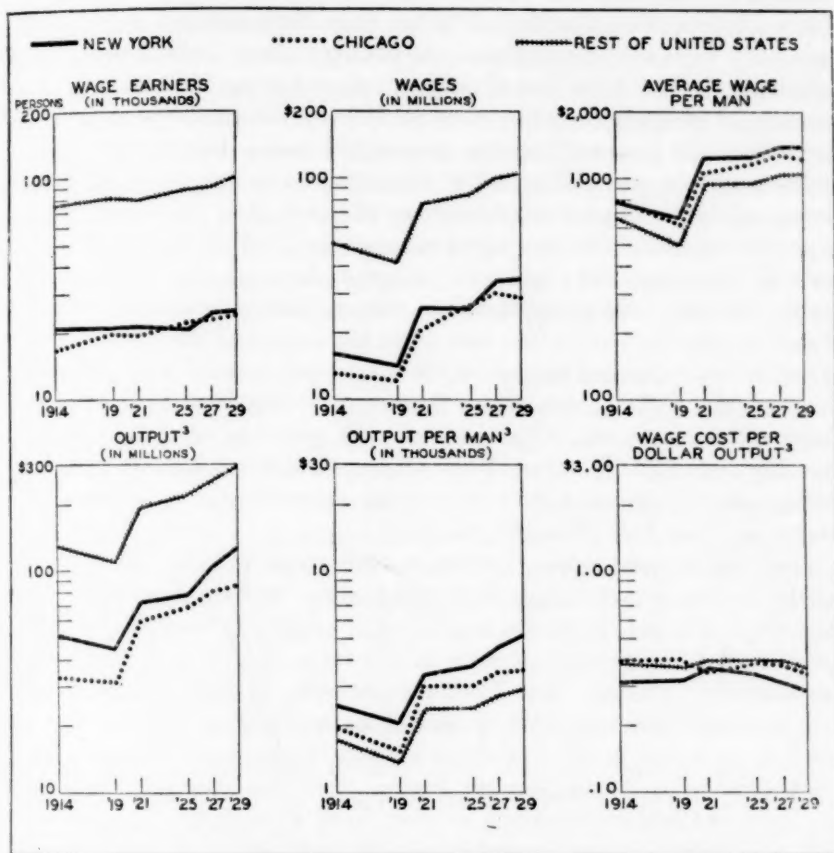
### *Census Outlines*

Before turning to consideration of specific pressrooms in a further comparison of New York City and Chicago as printing centers, it is desirable to examine the federal census reports for book and job print-

<sup>11</sup> Of the large cylinders installed in Chicago, 1914-1929, 125 were over 68 inches in bed size, while in New York there were only nine of these oversize cylinders.

<sup>12</sup> Some firms outside of New York City, for example, whose annual expenditure for ink is high, find they can mix their own ink at a saving of some 40 per cent.

CHART III  
GROWTH OF BOOK AND JOB PRINTING IN NEW YORK CITY, CHICAGO AND THE REST OF THE UNITED STATES, 1914-1929<sup>1,2</sup>



<sup>1</sup> The slopes of the lines are comparable at every point and they mean rates of growth from period to period.

TABLE III  
CHANGES IN BOOK AND JOB PRINTING<sup>2</sup>

Census Item	Per cent excess of New York City over Chicago			Per cent increase	
	1914	1919	1929	1914-1929 New York	Chicago
Wage earners . . . . .	24	6	7	21	41
Wages . . . . .	23	15	22	120	122
Average wage per man . . . . .	— .4	8	15	81	58
Output in dollars <sup>3</sup> . . . . .	55	41	50	147	156
Output per man <sup>3</sup> in dollars . . . . .	25	33	50	103	82
Wage cost per dollar output <sup>3</sup> . . . . .	—20.7	—18.7	—18.4	—11	—13

<sup>2</sup> Computed from the respective reports of the *United States Census of Manufactures*, figures for 1929 having been sent to the writer by the Census Bureau in advance of publication.

<sup>3</sup> Value added by manufacture.

ing,<sup>13</sup> even though they are not given for the pressroom alone but for all departments combined. The clusters of growth lines with the table of relatives that accompanies them reveal several interesting facts. The first glance at these lines is sufficient to see that book and job printing has materially expanded throughout the country since 1914. Measured in dollars, both New York and Chicago produced some 150 per cent more commercial printing in 1929 than in 1914. This was accompanied by more than 100 per cent increase in payrolls and a substantial increase in dollar output per worker, all of which points to greater use of labor-saving machines. Higher relative prices of printing to the consumer may be partly responsible for the higher value of the product, because of rising costs of equipment and overhead.<sup>14</sup> Wage scales seem not to be a major factor, for wages increased less than output, causing wage cost per unit of output actually to fall. The descent of the wage-cost line for both cities as well as for the rest of the country is in contrast to all of the other rising trend curves. In brief, the census figures show that New York produces about 60 per cent and Chicago about 40 per cent of their combined printing output,<sup>15</sup> that New York employs more workers, pays higher average wages, derives higher per capita value output at a lower unit wage cost than does Chicago.

That employment opportunities in commercial printing have significantly increased in Chicago since 1914, while in New York they have relatively declined, is to be seen in the changing numbers of wage earners. Also the greater increase in the value of Chicago's production has somewhat reduced New York's superiority in this respect. Nevertheless, New York's payroll is almost as much greater than that of Chicago as it was in 1914, and the average wages per employee in New York have grown considerably higher than the average wages per employee in Chicago. Workers in New York have grown progressively more productive in terms of dollar sales of printing. From the employer's point of view in paying for his factors in production, then, the net result

<sup>13</sup> In addition to newspapers, book and job or commercial printing as reported by the census excludes music and all publishing conducted as a separate enterprise. Outside its scope also is copper engraving, photo-engraving, stereotyping, electrotyping and lithographing. While the reports of the census include publishing companies by whom no printing is done, they omit periodical printing when produced in plants which print newspapers as well. In these two ways the census classification differs from commercial printing as the term is used in this paper. It is impossible to state accurately to what extent these two differences would tend to cancel each other were the respective figures available.

<sup>14</sup> Cost of materials is not included in the value added by manufacture upon which these comparisons are based.

<sup>15</sup> The corrected value added by manufacture in New York City was \$51,802,517 in 1914 and \$127,658,806 in 1929; for Chicago it was \$33,342,934 in 1914 and \$85,035,153 in 1929.

of these findings appears to be that while the workers' share of each dollar's worth of printing in New York had fallen less than in Chicago by 1929, it stayed around 18 per cent less than in Chicago. In New York, workers receive 28 cents out of every dollar's worth of printing they produce while in Chicago they receive 34 cents.<sup>16</sup>

It is necessary to point out that this apparent failure of New York workers to receive as large a proportion of the income from printing as Chicago workers receive does not necessarily mean that their employers make higher profits than do Chicago firms. Aside from wages, which are always well under 50 per cent of total costs, the expense of printing in New York, as has been said, is greater because of high rents for plant space and for storage, not to speak of heavy trucking costs. To what extent these higher costs in New York are paid by the consumer of printing and how far they are met by a narrower margin of profits or by a smaller share paid to the workers, is not deducible from the census data. Facts of this kind would depend upon measurement of the actual volume and quality of printing which as yet has not been achieved because of the absence of standards in both product and process. There is no satisfactory way of discovering to what extent New York's excess of printing production expressed in dollars is owing to higher prices for like products and how much it represents superior quality of products. It is probable that both of these factors contribute substantially to the difference in dollar value of production in the two cities.<sup>17</sup>

#### *Selected Pressrooms in New York and in Chicago*

For sharp comparisons of union and non-union pressrooms, we are dependent upon what an intensive survey made in representative New York City printeries can divulge. It is worth while first to note some differences between a group of three of the largest union and non-union pressrooms in and near Chicago as compared with nine of the largest union pressrooms in New York City. The three outside plants not only are much larger, but are more highly selective from the point of view of apparent relative prosperity than are those in New York. Consequently, it is not surprising to discover much greater mechanization there, as seen in Table IV.

"Not for the pressroom separately it should be kept in mind, but for all departments combined. While printing offices differ, perhaps it is safe to say that pressroom workers comprise an average of about 20 per cent of the total workers employed in composing room, pressroom and bindery.

"Attempts were unsuccessful to secure from the particular printeries included in this study duplicates of their reports to the Census Bureau, from which more exact analyses might have been made.

TABLE IV  
PRESS EQUIPMENT IN SELECTED PRINTERIES IN NEW YORK AND CHICAGO, 1924 AND 1929<sup>1</sup>

Equipment	New York City 9 large plants (union)			In and near Chicago 3 large plants (union and non-union)		
	1924	1929	per cent change	1924	1929	Per cent change
<i>Total presses</i> .....	286	317	+10.8	230	291	+26.5
Hand-fed.....	100	66	-34.0	39	18	-53.8
Machine-fed.....	186	251	+34.9	191	273	+42.9
Old models.....	191	167	-12.6	86	65	-24.4
New models.....	95	150	+57.9	144	226	+57.0
Large presses.....	195 <sup>2</sup>	211 <sup>2</sup>	+6.6	191 <sup>3</sup>	255 <sup>3</sup>	+33.5
<i>Square inch printing capacity (in millions)</i>						
Total.....	822	886	+7.7	2965	4770	+60.9
Per press.....	2.9	2.8	-3.4	12.9	16.4	+27.1
<i>Percentage</i>						
Machine fed of total....	65.0	79.2		83.0	93.8	
New models of total....	33.2	47.3		62.6	77.7	
Large presses of total....	69.2 <sup>3</sup>	66.6 <sup>3</sup>		83.0 <sup>3</sup>	87.6 <sup>3</sup>	

<sup>1</sup> Winter of 1923-24 and winter of 1928-29.

<sup>2</sup> Of which 19 were rotaries in 1924, and 15 in 1929.

<sup>3</sup> Of which 96 were rotaries in 1924, and 160 in 1929.

The tabular picture of the equipment in these two groups of printeries emphasizes the vast difference in their printing capacity. With fewer presses the three Chicago plants had a capacity three times that of the nine New York plants in 1924, and more than five times greater in 1929. This, of course, was owing to high production rotary presses which were more than one-half of all the equipment in Chicago and only five per cent of all the equipment in New York. The proportion of small presses decreased in Chicago and increased in New York, just the reverse of the change in the large presses. Less than half of the equipment was in new models in the New York pressrooms, even in the later period, whereas more than three-quarters of all was in new models in Chicago.

Moreover, press equipment was used more of the time in the Chicago plants than in those of New York. Total chargeable hours<sup>18</sup> were 34 per cent more than full day-time hours<sup>19</sup> in 1924, and 39 per cent more in 1929. In New York they were respectively nine per cent and 18 per cent in excess of full day-time hours for the two periods.<sup>20</sup>

<sup>18</sup> Make-ready and running time combined, for a 12-month period.

<sup>19</sup> Calculated on a 44-hour week basis in order to be compared with the New York union plants, and for a 12-month period.

<sup>20</sup> This appears to be one evidence in refutation of the theory that firms which are not deterred by the challenging demands of a strong union of workers as com-



The inference that this excess of machine employment in Chicago meant more employment for the workers than in New York proved valid in a comparison of labor time purchased by the two groups of firms. In the Chicago plants, 80 per cent of all pressroom labor-weeks<sup>21</sup> purchased in March, 1924, and in March, 1929, were composed of 44 hours or more than 44 hours, while the actual number of these 44-hour weeks was 60 per cent greater in the later period. In New York City, the proportion of labor weeks of 44 hours or more was some 70 per cent of the total in both periods, and 1929 showed an increase of 26 per cent in their numbers over 1925.

Although these three plants in and near Chicago are not strictly comparable with the nine in New York because of their disproportionate size, the two groups are fairly representative of the shops between which competition for edition printing is keenest. Job work that is done on the smaller presses is usually turned over to local printers where the demand for it arises, but for the longer-run work it pays to widen the search for the lowest bidder. And, indeed, it must not be overlooked that, aside from those lower scarcity values, already mentioned, outside of New York City which reduce unit cost, employment conditions differ in at least three important ways: (1) Fewer men are required to operate the presses frequently if not usually both in union and in non-union shops; (2) while the length of the working week in New York is 44 hours by day and 40 hours at night, elsewhere it is 48 hours or more in non-union and sometimes even in union-employing shops; (3) wage scales are consistently lower outside of New York City.

It is not worth while to launch upon the sea of intricate differences in the complement of men on the various presses in the competing establishments in and out of New York City, even if we could; but a few notes on comparative wages will be suggestive. From the brief of the New York employing printers against the press assistants' union in 1929, the arbitrator was informed that "in 52 cities competitive with New York City the Union scale for cylinder feeders ranges from \$2.25 to \$29.50 below the New York scale," and that "22 competitive cities operate largely non-union on a 48-hour week basis and compared with New York City's 44-hour week the cylinder feeders' hour rates in these non-union cities range from 19 to 59 per cent below the hour rates for New York City."<sup>22</sup> In Chicago, in 1924, for which year the first equipment census was taken for this study, non-union shops were paying their

pared with those who are so deterred, tend to increase their equipment prematurely, ahead of a solidly larger market, and thus to become over-machined.

<sup>21</sup> Meaning any number of hours worked by one person during one of the four full weeks in March.

<sup>22</sup> *Op. cit.*, pp. 15-18.

cylinder pressmen \$48.00 and the assistants \$40.00 for a 48 hour week. In the New York union shops the scale for cylinder pressmen was \$53.00 and for assistants \$42.50 for a 44-hour week. In 1929 the Chicago scales had remained the same while the New York union rates were \$56.00 and \$45.00 for cylinder pressmen and assistants respectively.<sup>23</sup>

Union rates in Chicago in 1924 were \$49.00 for cylinder pressmen and \$41.50 for cylinder assistants. They became \$51.00 and \$43.25 in 1925 where they have remained ever since (except for a general seven per cent reduction in the summer of 1932). Open shops have gained so strong a lead in Chicago that the pressroom unions have not only been unable to improve their status but they have found it practically impossible to maintain it. In fact, an official of the international union in 1927 after investigating Chicago conditions is reliably reported to have admitted that "the international union has more members working in non-union shops in Chicago than it has in union shops." Moreover, from December, 1928, until the summer of 1932 there were "no contracts [with local unions] in existence governing the operation of union pressrooms in book and job shops in Chicago."<sup>24</sup> Union employers negotiated directly with the international union. During these years the international union enrolled large numbers of men as members-at-large in non-union plants, hoping that the time would come when they could organize the shops which employed them. This was accomplished only to a limited extent, however; and even then the agreements with employers were made secretly and with liberal concessions. A number of these agreements made by the international union expired in July, 1932.

#### *Union and Non-Union Pressrooms in New York City*

Coming now to the plant survey which was made in New York City, this necessarily fragmentary discussion of union and non-union pressrooms can be brought to a sharper point. Of the 53 plants included in the survey, 8 were among the largest of the open shops that operate in New York City, and 36 were medium-sized union shops. While, as in the case between the larger New York and Chicago plants just compared, two groups of New York offices about to be described differed in their average sizes, in this case the open shops being the smaller, they were representative competitors for job printing, and from this standpoint are comparable.

<sup>23</sup> From *Wage Scales Where Reported*, *op. cit.*

<sup>24</sup> Pamphlet, *Our Mutual Problem*, published by the Franklin Association of Chicago, June, 1929, Harry G. Cantrell, Secretary. In May, 1932, the old contracts of 1925-1927 between the Franklin Association and the pressroom unions became effective for a period of one year, and were used as a basis for making adjustments to the depression in the form of a seven per cent reduction in wage rates and a spreading of work.

Interestingly enough the pressroom equipment of these two groups of smaller printing offices differed in the same directions as did the large New York and Chicago plants. As shown in Table V, the growth of the open shops during the five-year period exceeded that of the closed shops—in the adoption of mechanical feeding and of new model presses and in total printing capacity.

TABLE V

PRESS EQUIPMENT IN UNION AND IN NON-UNION PRINTERIES IN NEW YORK CITY, 1924-1929

Equipment item	36 union			8 non-union		
	1924	1929	Per cent change	1924	1929	Per cent change
<i>Total presses</i> . . . . .	358	419	+17.0	50	66	+32.0
Hand-fed . . . . .	209	183	-13.9	24	22	-8.3
Machine-fed . . . . .	149	236	+60.4	26	44	+69.2
Old models . . . . .	253	230	-9.1	33	30	-9.1
New models . . . . .	105	189	+80.0	17	36	+111.8
Small presses . . . . .	246	301	+22.3	43	56	+30.2
<i>Square inch printing capacity (in millions)</i>						
Total . . . . .	338	436	+29.0	34	51	+50.0
Per press . . . . .	.94	1.04	+10.9	.68	.77	+13.2
<i>Percentage</i>						
Machine-fed of total . . .	41.6	56.3		52	66.7	
New models of total . . .	29.3	45.1		34	54.5	
Small presses of total . . .	68.7	71.8		86	84.8	

<sup>1</sup> Winter of 1923-24 and winter of 1928-29.

Among the small presses which greatly predominate in these pressrooms, job automatics formed 16 per cent of the total in the union shops in 1924 and 38 per cent in 1929. In the open shops the proportion was 26 per cent in the earlier period and 39 per cent in 1929. These findings bear contrast with the estimate made by the New York employing printers in 1924—that, of all job automatics so far sold in New York and Brooklyn, 87 per cent were in open shops and only 13 per cent in union shops. The point to be made, which the employers would of course concede, is that, because of the difference in the *nature* of the respective groups of enterprises, open-shop equipment cannot be compared with that of union shops in this wholesale manner as throwing light upon the influence of organized labor against the adoption of the new machines. Only about 250 out of the 2,000 or more printing offices in New York are unionized, and these are all of fair size, using large as well as small presses. On the other hand, most of the non-union shops are small, many being of the one, two or three-man order whose one or

two job automatics are their all.<sup>25</sup> Our findings as just given seem to show that when union and non-union offices of comparable size are compared, the difference in their relative adoption of the new presses may be significant; but it is not spectacular.

As for the feeding process, more than four-fifths of the hand feeding in both groups of plants and in both periods was done on the older presses—platens and large cylinders—with the number of hand-fed platens actually increasing. In the union shops, large cylinders were more hand-fed than platens, seeming to denote considerable idleness for the larger presses which are usually intended for longer-run work for which it pays to invest in a mechanical feeder. In the open shops, on the other hand, large cylinders were more machine-fed than platens, and their number increased, seeming to denote more long-run orders. Although some 30 per cent of the total equipment in the union shops was in large presses, more than one-half of it remained hand-fed; whereas only 15 per cent of the equipment in the open shops was in large presses, and exactly half of it remained hand-fed.

The grounds for drawing inference here are limited, but it is possible that these facts reflect increasingly successful competition of open with closed shops in New York City for larger-size and longer-run job work on a lower price basis. According to the proprietors, the insistence of the unions upon keeping too many men on the presses at a high wage tends to discourage investment in improved machinery because any profits that may emerge in spite of the unions have to be given away to customers in lower prices. The open shops on the other hand are freer to weigh wages against interest and depreciation and to make the choice which they deem more favorable to bidding for business. It is unfortunate that no measured comparison can be made of the quality of workmanship in these pressrooms. The contention of the unions always is that the non-union shops attract the orders for inferior printing that can be produced at a cheaper rate. The writer has insufficient data upon which this assertion can be either refuted or supported.

The weekly wage scales of the New York City non-union shop workers were distinctly below those of the union men in both periods of the five-year plant survey, and the differential was greater in 1929. The subjoined table shows the rates on the cylinder presses.

It may be mentioned at this point that in addition to the lower wage scales paid in non-union shops, it is not unusual for press assistants to do pressmen's work at a scale lower than that for pressmen. In fact, this is one route by which press assistants become union pressmen. If a

<sup>25</sup> According to the secretary of the New York Employing Printers' Association, the median size of union shops in New York City is in the \$25,000 to \$50,000 payroll group, while that of open shops is in the \$5,000 to \$10,000 payroll group.

TABLE VI  
WAGE SCALES IN NEW YORK CITY UNION AND NON-UNION SHOPS, 1924 AND 1929

Cylinder pressmen			Cylinder press assistants	
Date	Union <sup>1</sup>	Non-union <sup>2</sup>	Union <sup>1</sup>	Non-union <sup>2</sup>
1924	\$53.00	\$50.00	\$42.50	\$37.00
1929	\$56.00	\$50.00	\$45.50	\$37.20

<sup>1</sup> Forty-four hour week.

<sup>2</sup> Forty-eight hour week.

man is ambitious and mechanically minded, he can sometimes prepare himself in an open shop to be a full-fledged pressman more quickly than by being a member of the assistants' union. His ability to pass the qualifying examination at the pressmen's school is the test of his success.

### (a) The Complement of Men

What now of the complement of men in union and in non-union shops? That there is a difference has been intimated more than once in the previous pages, and the long struggle of union employing printers to reduce the number of men continues unabated. Table VII brings striking testimony of the respective pre-depression customs in respect to the complement of men.

TABLE VII  
NUMBER OF MEN EMPLOYED PER 100 PRESSES IN UNION AND IN NON-UNION SHOPS, 1924-1929

Press group	Total men			Pressmen			Assistants		
	1924	1929	Per cent change	1924	1929	Per cent change	1924	1929	Per cent change
36 union shops									
All presses	99.2	100.7	+1.5	40.2	44.9	+11.7	59.0	55.8	-5.4
Old models	104.0	112.2	7.9	38.7	41.3	+6.7	65.2	70.9	+8.7
New models	87.6	86.8	-.9	43.8	49.2	+12.3	43.8	37.6	-14.1
8 non-union shops									
All presses	86.0	87.9	+2.2	36.0	40.9	+13.6	50.0	47.0	-6.0
Old models	84.8	106.7	+25.8	33.3	40.0	+20.1	51.5	66.7	+29.5
New models	88.2	72.2	-18.1	41.2	41.7	+1.5	47.1	30.6	-35.0

It is noteworthy that union and non-union offices registered in the same direction their changes in the ratio of men to presses over the five-year period. As was true for the entire group of 53 plants in New York City, the increase in men for all presses was clearly owing to the older models;<sup>26</sup> for on the new models the ratio of men to machines

<sup>26</sup> There were more hand-fed platens in 1929, and also, in the non-union shops, more large cylinders, which accounts for the greater ratio of men on the older machines.



dropped. Because of the shortness of the period over which these comparisons are made, however, the actual differences in the number of men employed to each 100 presses in the union and non-union offices is probably more noteworthy than the changes that took place. Here, in addition to the differentials in wages and in hours, lies the essence of the grievance of the union employers against their men. In 1929, the open shops were employing only 88 workers per 100 presses while the union shops employed 101 workers. The ratio on the new models was 72 in the non-union and 87 in the union offices.

Of course it is possible that the fewer men in these non-union pressrooms reflect more idle equipment than the union firms kept. Unfortunately, no reliable figures could be collected to clarify this point in these plants, but general observation as pressrooms were visited made it seem unlikely. Moreover, it will be remembered that the press equipment of the large press rooms in and near Chicago was used substantially more than that in the large union plants in New York.

Whether non-union printeries had indulged in serious displacement of men in making their early adjustments to the new techniques this investigation did not disclose. The complement of men has long if not always been smaller in open than in closed shops, and it is possible that whatever reduction the new techniques brought about was obtained largely through the process of attrition rather than by direct dismissal. Analysis of adjustments made in both groups of pressrooms during the five-year period, 1924-1929, appeared to reveal somewhat less discharge of men in the non-union than in the union shops, although the total displacement of jobs and processes had been greater.

#### *(b) Pressmen Displace Their Assistants*

The changes in employment of pressmen and of press assistants in the union and non-union printing offices examined for the five-year period are worth noting. The computations presented in Table VIII show the heavier incidence of mechanization upon press assistants as compared with pressmen which was everywhere in evidence as the investigation progressed, and which proves to be emphasized in the eight non-union shops. The net loss of employment for assistants in the non-union pressrooms was 8.1 per cent as compared with 6.6 per cent in the union pressrooms, the gains for the pressmen being 11.2 per cent and 9.6 per cent respectively. The vestigial character of the assistants' occupation seems to be registered in both groups of printeries by their increase over pressmen on the older models and their marked decline on the new. In the union pressrooms the hand feeders took much the greatest drop of all.

TABLE VIII

NET CHANGES IN EMPLOYMENT OF PRESSMEN AND ASSISTANTS IN UNION AND IN NON-UNION SHOPS, 1924-1929

Press group	36 union			8 non-union		
	1924	1929	Per cent change	1924	1929	Per cent change
All presses:						
Percentage pressmen of total men .....	40.6	44.5	+9.6	41.9	46.6	+11.2
Percentage assistants of total men .....	59.4	55.5	-6.6	58.1	53.4	-8.1
Old models:						
Percentage pressmen of total men .....	37.3	36.8	-1.3	39.3	37.5	-4.6
Percentage assistants of total men .....	62.7	63.2	+0.8	60.7	63.5	+3.0
New models:						
Percentage pressmen of total men .....	50.0	56.7	+13.4	46.7	57.7	+23.6
Percentage assistants of total men .....	50.0	43.3	-13.4	53.3	42.3	-20.6
Percentage hand feeders of total assistants .....	71.5	55.1	-23.0	60.0	54.8	-8.7

*Summary*

In summing up these objective considerations of the influence of organized labor upon technological change, it is clear that the data are too incomplete to serve as a basis for establishing causal relationships. Inferences must be drawn with caution. The findings seem to be about as follows:

(1) Although the federal census reports are not shown for the pressroom alone, with which we are specifically concerned, these reports for the book and job industry as a whole show that New York whose pressrooms are strongly organized employs more workers, pays higher average wages and derives higher per capita value output at a lower unit wage cost than does Chicago where pressroom unions are much less strong. Nevertheless, New York workers receive only 28 cents out of every dollar's worth of printing that they produce, while in Chicago they receive 34 cents. There is no satisfactory unit by which the volume and quality of printing can be measured. However, the greater value of the product in New York is doubtless owing partly to higher prices for printing, possibly also to a superior average product, as well as to general scarcity values that prevail in New York. Available data give no basis for concluding whether profits in union shops are higher or lower than profits in non-union shops.

(2) The predominant character of commercial printing in New York City is changing. This may be owing as much to the incidence of the postal-zoning system and to scarcity values in the form of high rentals and trucking charges as to the "tyranny of the unions." Although New

York has lost much of her long-run printing while Chicago has gained, New York's importance as a source of copy and as a distributing center, together with the vast amount of job work she consumes in connection with her commerce and manufacture, so far enable her to hold about one-fourth of all of the nation's commercial printing. Chicago produces about one-seventh of the total supply.

(3) During the 16 years preceding the present business depression, Chicago's adoption of labor-saving machinery for the pressroom was swifter than that of New York. This progress has narrowed the superiority of New York over Chicago in printing strength—a trend worth noticing for future consideration of the interactive forces between trade unionism and the adoption of new techniques.

(4) Wage scales are lower and working hours longer in non-union pressrooms where no collective agreements between employers and men exist than they are in the union pressrooms of New York City which are controlled by collective agreements.

(5) Comparisons of pressroom equipment show that in non-union shops the newer labor-saving models form a larger proportion of the whole than they form in the union shops; also that a smaller ratio of men to presses obtains in the non-union shops.

(6) The preference for pressmen and the weakening position of press assistants or feeders is evident in all pressrooms as the occupation of feeding the hand presses becomes obsolescent. These gains for pressmen and losses for press assistants are greater in the non-union shops. The downward trend in the employment of press assistants has been emphasized in the depression adjustments of the existing contracts between the printers' league and the pressroom unions which expire on December 31, 1932. Furthermore, the plan of the employing printers for the reorganization of the pressroom prescribes further reduction in the employment of assistants and, in fact, their ultimate extinction as a craft union.

(7) In so far as the foregoing incomplete analysis of changing conditions in New York City and in Chicago may be trustworthy as a reflection of the actual situation, then, it appears that while organized labor may have retarded advance in pressroom technology, it is less directly influential than some have thought it to be. For we find much technical progress both where the unions are strong and where they are weak, and the greatest total advance in New York City where the unions are strongest.

ELIZABETH FAULKNER BAKER

*Barnard College, Columbia University*

## COMMUNICATIONS

### Keynes's Fundamental Equations: A Note

In a brief note entitled *A Fundamental Error in Keynes's "Treatise on Money"* Professor Alvin Hansen has raised a question regarding the units which I have employed on pages 135-137 of my book. I confess that he has found me out in a slip, since the units which I have used in my Fundamental Equations are not in fact the same as those which I defined and said I was going to use on page 135. But the point is easily put right, and Professor Hansen is mistaken, I think, in attributing a far-reaching importance to it—as, indeed, one would expect, in view of the fact that the substance of the equations can be expressed in a form which does not introduce these units at all. My mistake can be corrected as follows.

On page 135 I wrote, "Let us choose our units of quantities of goods in such a way that a unit of each has the same cost of production at the base date," and I then proceeded to deal with a division of  $O$  units of output into  $R$  units of goods consumed and  $C$  units of goods invested. Now if the cost of production of a unit (thus defined) of goods invested has fallen at some later date to  $k$  times the cost of a unit of goods consumed, instead of being equal as in the base year, we have, as so often in such cases, to be a little careful. We have the choice between slightly complicating my equations as I have printed them, or of slightly altering my definition of the units. Let us pursue these alternatives in turn:

(1) If we continue to use the units as actually defined on page 135, it follows that the amount of income earned from the production of goods

consumed will be  $E \frac{R}{R + k \cdot C}$  instead of  $E \frac{R}{R + C}$ , so that my equations should have been written:

$$P \cdot R = E - S = E \frac{R}{R + k \cdot C} + I' - S$$

and

$$P = \frac{E}{R + k \cdot C} + \frac{I' - S}{R}$$

(2) But the equations as printed, namely

$$P \cdot R = E - S = E \cdot \frac{R}{O} + I' - S$$

and

$$P = \frac{E}{O} + \frac{I' - S}{R},$$

can be retained unaltered, if we modify the definition of our units as follows:

"Let us choose our unit of goods consumed as the quantity which had unit cost of production in the base year and our unit of goods invested in any year as the quantity which has in that year the same cost of production as a unit of goods consumed."

The inconsistency between my units as defined and the units actually implied by the form of my equations has been independently pointed out to me by Mr. D. T. Sawkins of the Industrial Commission of New South Wales, and some time previously by Mr. D. F. Kahn of King's College, Cambridge,

as well as by Professor Hansen. In any subsequent edition I will correct the slip on the lines of the second of the two alternatives above, namely by modifying the definition of the units, which will allow all the formal equations to remain unchanged as printed.

J. M. KEYNES

King's College, Cambridge

### Charles Gide

The death of Professor Charles Gide in Paris on March 13, 1932, marked the end of a long and distinguished career. Gide well deserved to be regarded as the most eminent of contemporary French economists. He played a central rôle in the development of modern economic thought and teaching in France.

Economics was not officially introduced into the curriculum of the French universities until 1877. The following year Professor Gide was appointed to the newly-created chair of political economy in the University of Bordeaux. Remaining there but a few years, he then went to the University of Montpellier as professor of political economy. In 1899 came the establishment of a course in social economics in the faculté de droit of the University of Paris through the gift of the Comte de Chambrun, and Professor Gide was asked to give the new course as chargé de cours. In 1906 Gide relinquished his post at Montpellier and became professor of social economics at the University of Paris. He retired in 1920, and in 1921 accepted an appointment to the chair of theory and history of coöperation which had just been endowed at the Collège de France by the consumers' coöperative societies of France.

In 1883 he published the well-known *Principes d'Economie Politique*. This work was characterized by the skill and impartiality with which it presented conflicting points of view in such a way as to show clearly their respective strength or weakness. In this respect it differed sharply from the writings of the members of the French Liberal School who consistently presented their own point of view to the exclusion of all others. Professor Gide's work was in fact a protest against the domination of French economic thought by this so-called Liberal School, whose complacency and indifference to new trends of thought had retarded the development of economic science in France.

The *Principes d'Economie Politique* was carried through twenty-five editions, and there were three English translations. In an introductory note to the first American edition, J. B. Clark characterized the work as a re-introduction of French economic thought into the United States; the line of communication having previously been broken by French orthodoxy and American preoccupation with the German Historical School.

The dissatisfaction with which Gide regarded the state of economic thought in France, and his desire to promote the full expression of opinion from all countries resulted in 1887 in the founding of the *Revue d'Economie Politique*. In establishing this new publication Gide worked in collaboration with Alfred Jourdan, professor of political economy at the University of Aix and Edmond Villey, professor of political economy at the University of Caen. Their purpose was to provide a medium of expression open to teachers of political economy in the French universities and to all others, regardless of their doctrinal affiliation.



Professor Gide's direct influence has been most marked in his work in co-operation and in the history of economic thought. He began to develop his emphasis on the importance of the consumer and the need of consumer co-operation early in his career. In 1900 he published a series of lectures on co-operation and in 1904 *Les Sociétés Coopératives de Consommation* appeared. His final contribution was made in 1928 with the publication of *Les Colonies Communistes et Coopératives*. These together with numerous articles and published lectures form an exhaustive survey of the entire field of co-operation.

Professor Gide was a pioneer in the recognition of the importance of the consumer. Economists in general have been slow to follow his lead; and it is only in recent years that the subject of consumption has been seriously discussed in the United States. Many of the topics which are now being widely discussed are to be found more or less fully developed in Gide's writings. However, since the coöperative movement has been slow to develop in the United States, Professor Gide's works on coöperation are not so well known to American economists as the familiar treatise on the history of economic thought. The French have placed a great emphasis on the study of the historical development of economic doctrines; and many of the most distinguished French economists have occupied the chair of history of economic doctrines at one or another of the French universities. The *Histoire des Doctrines Economiques depuis les Physiocrats jusqu'à Nos Jours* which Professor Gide wrote in collaboration with Charles Rist is perhaps the best work that has resulted from this emphasis, and has taken its place among the leading contributions to economic literature. It still stands preëminent in its field, and forms an indispensable part of the library of every student of economics.

Professor Gide has contributed much through his writings, but his direct contribution, important as it is, does not measure the service he rendered to economic science in promoting the international exchange of intellectual views and in arousing French economic thought from the lethargy into which it had fallen.

MORRIS E. GARNSEY

Brown University

## "Land" and Taxes on Monopolists

Professor Lamke of the Brookings Institute says in "Incidence of Real Estate Taxes" (*American Economic Review*, Sept., 1932, p. 463) that "land taxes might be so reduced that they could be shifted to tenants."

He can hardly mean land *value* taxes, since there is scarcely any doctrine so universally affirmed as that taxes on land value or on land rent, cannot be shifted. But taxes on improvements or on rent of improvements are admitted to be shifted, however reduced. As we tax land value hardly at all, the sympathy "for the unfortunate land owner" seems to be wasted.

Again he speaks of "Salvation from the dilemma of taxation for the real estate proprietor." It is to be hoped that he means the improvement owner.

If, as Professor Lamke himself suggests, "we nationalize land completely," there would be no dilemma; and, as Trotsky vainly suggested, it would seem to be simpler to take the rent of land in taxes instead of taking the land.

In a similar vein Professor Garver of University of Los Angeles says in

"The Effect of Taxation on a Monopolist" (*American Economic Review*, Sept., 1932, p. 463), "It is fairly obvious that certain types of taxes will not lead a monopolist to raise his selling price"—for example—"a tax on the value of a factory." That, like other "best examples" which he cites, is either a tax on land sale value or on land value, plus a tax on the labor product needed to make a factory. For the rest, I think the author will agree that if any taxes "lead a monopolist to raise his selling price" it is only because he was not previously taking all that he might have gotten, which is "all the traffic will bear."

This mixing of objects, *land*, which is not a product of labor at all, with *improvements*, which are nothing else, is lamentable, especially just now when we are confronted with the hordes of workers whose earnings have been absorbed by high land prices and rents, the exactions of monopolies and failed speculations.

The unthinking blame the "capitalist" and the middleman for these extortions. Yet the only expedients so far, except attempts to increase income and inheritance tax returns, have been relief for large concerns and "broadening the basis of taxation," which generally means to make tax burdens heavier for the mass of consumers and producers.

Practically the only taxes that cannot be shifted or evaded are those on land values. We shall have to consider these before we can get real relief. And we still look to our economists to show the difference between piling more taxes on labor and taking the rent of land for public use instead of taxes.

BOLTON HALL

*New York City*

## REVIEWS AND NEW BOOKS

### General Works, Theory and Its History

*Economic Principles and Problems.* Edited by WALTER E. SPAHR. Vols. I and II. *Questions and Problems to Accompany Economic Principles and Problems.* (New York: Long & Smith. 1932. Pp. ix, 655; v, 627. \$6.00.)

Feeling that the neo-classical presentation of economic theory in the majority of general treatises does not sufficiently vitalize the introductory courses in economics, sixteen economists have collaborated in drafting a treatment of "basic" economic facts and principles for the business man and the general reader. The work is offered as an attempt to bridge the gap which has existed in the past between the ideas and concepts of the man of affairs and the student of economic theory. This is quite in keeping with the trend of many recent publications on economics, influenced perhaps by the teaching in rapidly growing schools of commerce.

Multiple authorship introduces many problems regarding uniformity of style, the logical sequence in development, duplications, omissions, or conflicts of thought, and methods of approach to the exposition of the various subjects. The style is not uniformly good, nor in all cases is the exposition equally clear; but to criticize the work from any of the above-mentioned angles would be to place an undue emphasis upon details which have on the whole been well handled. In these respects, careful editorial effort is shown.

According to the authors' statement in the preface, the ". . . . primary purpose has been to write for the beginning student and general reader rather than for the economist or advanced critic." In this respect the various authors have met with different degrees of success. The more important places wherein the reviewer feels that there is at least a reasonable doubt as to whether or not this objective has been accomplished are as follows: (1) In Volume I, p. 158, where the proper intensity of the utilization of land is the subject of discussion, it is pointed out that the proper ratio of improvement value to land value is always *determined* and never *determining*. Why the ratio is a function of the value of land and why the relative extent to which *capacity* and *efficiency* of the particular area under consideration determine the value of the improvement, are likely to remain obscure to the student until the rent principle is explained. (2) In explaining index numbers (Volume I, pp. 474-481) the student is introduced to a comparison of the merits of different statistical means. Will the harmonic mean of relatives be of much significance to the beginner? (3) The explanation of the determination of rate bases for purposes of public utility regu-

lation (Volume II, p. 35 ff.) offers many illustrations both of principles and of new terminology difficult for the newcomer in the field of economics to understand. (4) The means of calculating the present worth of land based upon anticipated rent income as mathematically explained (Volume II, pp. 186-190) will be mastered with great difficulty, if at all. (5) Some of the authors in the development of their subjects employ economic terms before the meaning of this terminology has been made clear to the reader. (A list of these would be too long for this review.) The reader's first recourse in such places is to the layman's understanding of the terms with its possible resulting confusion.

The effort to merge principles and problems must be accompanied by the usual care exercised in the application of generalizations to specific cases. To dwell primarily on the exposition of principles subjects a work to the criticism that it is too abstract and impractical. To incline toward a great emphasis upon problems opens the way to criticism directed toward the descriptive character of the work. The authors, on the whole, appear to have carefully steered a middle course. In recognition of the reciprocal relationships existing between our political and economic organizations of society, there is much of a descriptive nature to be found in the volumes. Such information is often difficult to reduce to principles. However, it affords students a valuable orientation in the background and present status of economic problems.

Efforts to minimize the significance of pure competition and to emphasize the existence of monopolistic influences cause the explanation of some of the principles expounded to be seen in a new light. The most pronounced deviations from the neo-classical presentation are found in the treatments of value and distribution. In the explanation of value, emphasis is placed upon the ever-changing aspects of price problems in a dynamic society. The expenses of production to the individual firm as an influence on value and the existence of partial monopoly are important throughout. Consumers' surplus; producers' surplus; value determination under conditions of increasing, constant, or decreasing costs, either are not a part of the value problem to the authors or are not regarded as sufficiently important to merit a clear explanation. The failure to take into account the significance of decreasing costs and competitive relations in the value treatment permits the student to become confused later when it is pointed out that public utilities and railroads, under a competitive system, would be subjected to ruinous competition because of the cost situation prevailing. The emphasis placed upon variable costs and the determination of value indicates the short-time point of view which prevails throughout most of the work.

In developing the scheme for the distribution of value into the shares of profit, interest, rent, and wages, the marginal productivity theory as

a determinant of the respective compensation due to the factors of production is regarded as too impractical for utilization. Profits are not regarded as residual values resulting from non-calculable uncertainties of the market, but are treated as compensation for risk assumption and entrepreneurial duties. Although not offered as a definition, "... the term 'profits' when used without a modifying adjective, always refers to the net annual profits of the entrepreneur" (Volume II, p. 106). There is no subsequent clarification of this statement, but it appears that the concept of the functional share "profits" is similar to "business profits" as computed by an accountant. Segregation of the managerial wage from the entrepreneur's income is not attempted.

Interest is treated as either (1) imputed or (2) contractual. Contractual interest is the contracted rate paid for the use of *capital funds*. This is the result of the interaction of supply of, and demand for, money, which again is but the reflection of time preference for the utilization of capital funds. The relation of the productivity of capital and interest rates is not considered of great importance because the "... demand by entrepreneurs for loans is not directly dependent upon such productivity. All that is necessary to maintain such a demand is optimism" (Volume II, p. 157). This results largely from future expectations. The "imputed" rate of interest is merely a reflection of contractual rates. Throughout the treatment of interest, importance is placed upon money rates, or rates charged upon money equivalents.

Land's share in the distributive process is also divided into an explanation of "imputed" and "contractual" rents. The Ricardian principle of rent is regarded as sound but as too difficult of application to be practical. Therefore the explanation is similar to that of interest. The treatment of wages is largely a description of principles governing the amount of wages paid. Again the marginal productivity theory is conspicuous by its absence.

The task of evaluating these volumes is not easy. Their avowed purpose is to reach beginners. In this respect, the plan of development would appear to limit decidedly the field wherein the work can be adopted as a text. It does not appear to the reviewer to be a suitable text to employ in a beginning course in economics where the student plans to work out a college major in the field. This position is taken largely because of the many topics, such as regulation of business combinations and public utilities, transportation problems, labor problems, social insurance, public finance, and public control, all of which are bases for future specialized courses. To bring them into the introductory course leads to repetition and duplication of effort. On the other hand, there has been an increasing enrollment in evening classes in schools of commerce wherein the student cannot go intensively into



each of these various fields. Many such students desire to get as broad and sweeping a knowledge of economic principles and problems as possible from the elementary course because it may be the only one taken. For such students the two volumes do an excellent task of meeting a specific need. Furthermore, no teacher of economics can read these two volumes without greatly enriching the illustrative material at his command, no matter what text is employed in his course.

JOHN W. BOATWRIGHT

*Northwestern University*

*American Economic Thought in the Seventeenth Century.* By E. A. J. JOHNSON. (London: P. S. King. 1932. Pp. xi, 292. 12s.)

This scholarly and very human book is important for the student of economic thought and the economic historian, and holds interest for the general reader as well. American economic thought, especially in its peculiar variants from European models, contains fascinating instruction, and has been too little examined; so far as America's first century is concerned, Professor Johnson has set us immensely forward. He has explored the writings, often obscure, of governors, clergymen, mint-masters, merchants, propagandists, promoters, and historians; and his orderly arrangement and helpful interpretation are constantly spiced with the quaint words of his sources. He has treated all of the topics which were important to the period—colonization, governmental regulation, trade, monetary proposals, wages and interest, communism *versus* private ownership, and taxes.

One is struck in the beginning with the clash between the smug assumptions and devoted schemes of European writers on colonization, and the practice as it was bound to develop under actual conditions in the new country. There is something pathetic in the ruthless overthrow of fond admonitions with which the pioneers were sent forth. But more important is the inevitable modification of medieval tradition as met by American exigency. The elaborate reasonings of wise men in the old countries became, suddenly or gradually, only disturbing memories to the adventurers in an unconquered continent. Economic thought which had been so nicely articulated became disjointed. In the mouths of colonials the full oratorios of schoolmen and mercantilists degenerated, if you will, into mere catches and country airs.

Professor Johnson has sensibly refused to try to supply system where there was none, but has contented himself with showing on every hand what were the practical promptings of the early Americans. Only in the writings on finance does he find something coherent, from the standpoint of theory, to work with.

The book is instructive on the differences in interest which quickly

grew up between economic classes in the new world. Maximum wages might be set by statute, but the designs of capitalist enterprisers and estate owners must be set aside when labor was scarce and free land beckoned. Poll taxes suited those with great possessions, but the commonalty insisted on the general property levy and had their way. Coöperative effort pleased colony promoters, but ownership in severalty was bound to displace it.

Professor Johnson must have found the theologians, who were most vocal in their economic pronouncements, very trying. He has succeeded in using them without permitting them to run away with his book, which would have been easy. They were responsible, of course, for much of the ideology which was such a marked characteristic of the century. With many lacks, they had the merit of appreciating to what a large extent economics is and ought to be an art. It is just here that the book contains poignant reflections for America of the twentieth century. We have latterly been too much disposed to treat economics as a science only, and not always as a body of dynamic material either, but too often as simply the subject of description. We may afford to bring back some of the idealism of 300 years ago, and assert now as then that private profit must be subordinate to social well-being. This is true, though what the colonials feared was dearth, and what burdens us is a no less fatal plenty. As they were, by insistent circumstance, disillusioned of their rather blind ideology, may we not be disillusioned of our equally blind pragmatism?

The array of authorities is so great that it seems captious to wish that more writers from the southern colonies might have been drawn upon. Whatever can be done to offset New England's proclivity for telling America's story should have attention!

The tasteful typography of the book, matching the writing, deserves remark, as do also the very full bibliography and index.

BROADUS MITCHELL

*Johns Hopkins University*

*Friedrich List: Grundlinien einer Politischen Okonomie und Andere Beitrage der Amerikanischen Zeit, 1825-1832.* Edited by WILLIAM NOTZ. Vol. II. (Berlin: Reimar Hobbing. 1931. Pp. xiv, 530.)

Dr. Notz has grouped in this volume those works of Friedrich List which pertain to his life in the United States, covering the seven years 1825 to 1832. The book is one of a series in which are being gathered all his writings, addresses and letters, prepared and issued by admirers who believe that the work of this author deserves a uniform presentation designed to consolidate and render available economic and other monographs which have hitherto not been ready at hand. In the pres-

ent volume Dr. Notz offers material which is especially interesting to students of American history as well as to students of the history of economic thought. The writings thus presented include certain essays and sketches relating to what the author calls "American political economy," and dealing primarily with the protective question. Apart from the outline of American political economy, there is a series of fragments on other topics and some interesting letters written by Friedrich List to various public men in the United States. Beside the foregoing are extracts from newspapers in which List had expressed his views on current public questions and then a group of "occasional pieces," including more letters, proposals for legislative undertakings, and the like. Dr. Notz has added a series of valuable notes, intended to explain discrepancies and changes in the text as well as to throw light upon the contemporary situation which existed at the time of the writings themselves.

There is no doubt about the value of the work of Friedrich List, nor any question of its place in the history of the political economy of the nineteenth century. Some will always doubt whether his contribution to American political discussion and his analyses of the tariff question as considered in the United States present anything more than an incident in his scientific career—and an incident which on the whole does not illustrate him at his best. This, however, is not the question which deserves consideration at the hands of the student of the present volume. It remains a fact that List and his work were for several years a significant factor in the life of the nation and that a material service is rendered by putting into consecutive shape his writings of that period. To those who follow the history of American protectionism with sympathy, the work of Friedrich List will always offer material of exceptional interest, since it was through him that the early Philadelphia protectionists first were able to make a claim that the policy they urged had a sound economic basis. In time past the sources of information concerning economic discussion and the evolution of economic ideas in the United States have been all too few and it has frequently seemed that a great deal of current discussion of American economic beginnings lacked solid sources of information. So far as relates to Friedrich List, the present volume will enable the student to avoid any such danger.

The editing of List's writings has been carefully done and the emendations and notes are the scholarly work of a sympathetic student.

H. PARKER WILLIS

*Columbia University*

## NEW BOOKS

- ALFTER, J. *Die Lebensschicksale der Aktiengesellschaft in theoretischer Beleuchtung*. Bonner staatswissenschaftliche Untersuchungen, Heft 19. (Jena: Fischer. 1932. Pp. iii, 72. RM. 3.)
- BYE, R. T. *Principles of economics*. Rev. ed. (New York: Crofts. 1932. Pp. vii, 508. \$3.)
- CARELL, E. *Wirtschaftswissenschaft als Kulturwissenschaft*. (Tübingen: Mohr. 1931. Pp. vii, 131. RM. 7.80.)

This volume is a contribution to the century-old discussion on the nature and position of economics within the major group of Kulturwissenschaften (science of culture) and the relation of the latter to the other groups of sciences. The author rejects all attempts at differentiating cultural sciences from natural sciences in terms of differences in method and approach or in terms of differences in the character of findings (the unique, the individual, in cultural sciences and the general law in natural sciences). There is considerable generalization in cultural sciences while geography and geology, obviously belonging to the physical sciences, deal primarily with the description of individual unique phenomena. He agrees with those who see the dividing line between sciences in the different subject matter underlying the various disciplines, but finds himself unable to accept the attempts at classification of the subject matter hitherto undertaken in German literature.

Carell divides the world of phenomena into three groups: the world of physical realities which we cannot understand but which we perceive indirectly through the mediacy of our senses and which form the subject matter of the natural or physical sciences; the world of psychical phenomena which are a part of our consciousness and which are the subject matter of pure psychology, and finally the group of phenomena which arise out of the relationship of the psychical to the physical world. It is this third group which forms the subject matter of Kulturwissenschaften of which economics is a part. In the last chapter, given to a discussion of the nature and significance of the Verstehende Nationalökonomie, the author rejects the exaggerated claims made by Sombart and others on behalf of the "understanding" approach to economic theory and concludes that the pursuit of economic inquiry, particularly when undertaken with a view to influencing the course of economic activities, frequently involves the application of the "ordnende" type of investigation usually associated with natural sciences.

While much of the ground covered by the author is familiar to one who has followed the methodological controversies in German literature, the study is of real value to the student trained in Anglo-Saxon economic literature in which this aspect of the social sciences is rather neglected.

NATHAN REICH

- CLARK, F. B. *The expansion of economic concepts*. (Dallas, Texas: Southwest Press. 1932. Pp. xv, 395.)
- COLE, G. D. H. *Economic tracts for the times*. (London: Macmillan. 1932. Pp. vii, 327. \$4.)
- EDIE, L. D. *Economics: principles and problems*. 2nd rev. ed. (New York: Crowell. 1932. Pp. xx, 859. \$5.)

- GANGEMI, L. *Svolgimento del pensiero economico. Dalle origini alla scuola classica*. (Milan: Treves-Treccani-Tumminelli. 1932. Pp. xi, 357. L.20.)
- GEMMILL, P. F., and associates. *Contemporary economic problems*. (New York: Harper. 1932. Pp. xv, 673. \$3.)

Two warring aspirations inhabit orthodox economists. One is logical immaculacy, attainable by careful abstraction of theory from the shifting conditions of life. The other is usefulness, which requires immersion in the events of every day. One way of adjusting this conflict in elementary classes is to use two books, in one of which "theory" maintains its scientific aloofness, whereas in the other "problems" destroy the feeling of futility.

This book has the important, if fleeting, merit of including new issues and new data. As an addendum to orthodox theory, it differs also in degree from other problem books. Professor Gemmill and his associates present almost the entire range of economic phenomena as problems—price levels, business cycles, industrial conflict, insecurity, population, banking, public expenditures and taxation, monopoly, regulation of business, railroads, agriculture, tariffs, foreign investments, the interdependence of nations, waste in production and consumption, inequality. From writers of orthodox persuasion, the result has been a problem addendum to economics; from an institutionalist, the same materials might well have come as a theory of contemporary economic life.

In spite of the ribs of theory which fill out the discussion, there are conspicuous gaps in the theoretical backbone. The programs of control are not founded upon an explicit social ethics, but upon scattered and usually undefended evaluations. That society is capable of rational and disinterested control is taken for granted without discussion. Indeed, it is asserted that "economic institutions, like other social institutions, have grown up because they have seemed to serve a useful purpose, and when they have outlived their usefulness they can be, and should be, either modified or eliminated" (p. 9). The specific reform proposals are usually addressed to a hypothetical, public-spirited observer with no special interests to serve.

In temper, the book is carefully moderate. It avoids predictions of a millennium, but is sure something can be done to improve any situation. An unflinching liberalism buoys its faith in possible adjustment of conflicting interests. No matter how complex the suggested remedies for price-level changes or business cycles, the optimistic tone is maintained. One misses the atmosphere which surrounds so much of post-war reform—the sour taste of class conflict and disillusion.

CORWIN D. EDWARDS

- MITCHELL, B. *A preface to economics*. (New York: Holt. 1932. Pp. ix, 574. \$3.50.)
- RITSCHL, H. *Gemeinwirtschaft und kapitalistische Marktwirtschaft zur Erkenntnis der dualistischen Wirtschaftsordnung*. (Tübingen: Mohr. 1931. Pp. viii, 179. M.8.)

The objective of this volume is to drive home the rather obvious truth that individualism and collectivism are purely theoretical concepts; that at no time in history did either of these exist in pure form, and that economic reality presented and always will present a blending of elements of private or market economy with those of collective or public economy



with the pendulum swinging in the direction of public economy in recent times. Although the study contains hardly anything original, it is useful for its interesting and concise discussion of the characteristic features of market economy and public economy and for its neat reproduction of the criss-cross of arguments which was raging in Germany in the mid-twenties on the relative merits and demerits of centralized collective economy and private market economy.

NATHAN REICH

SWANN, W. F. G., and others. *Essays on research in the social sciences*. Papers presented in a general seminar conducted by the Committee on Training of The Brookings Institution, 1930-31. (Washington: Brookings Institution. 1931. Pp. vii, 194.)

The first paper in this symposium on methodology is by a mathematical physicist, W. F. G. Swann. Swann regards scientific theories as descriptive generalizations, and points out that different theories often differ little in scientific descriptive accuracy and differ chiefly in features irrelevant to science, features due principally to the type of analogy that appeals to the theorist's prejudices. All of the other papers except Beard's profess faith in a naturalistic social science, but Cook and Schlesinger seem not quite to have made their peace with Swann's conception of "What is science?" Llewellyn's comments have been formulated with especial care and are distinctly worthy of attention—his warnings against bias by availability of data, against oversimplification and against concentration on key positions; his discussions of the relations of "is" and "ought," of "pseudo-deduction," and of "concept-building."

MORRIS A. COPELAND

THOMASON, C. C. *Economic problems and cases*. 3rd ed. (Rochester: Rochester Athenaeum and Mechanics Inst. 1932. Pp. 96.)

## Economic History and Geography

*King Cotton Diplomacy: Foreign Relations of the Confederate States of America*. By FRANK LAWRENCE OWSLEY. (Chicago: University of Chicago Press. 1931. Pp. xi, 617. \$5.00.)

This is a work primarily on diplomatic rather than economic history but there is so much in it of interest to the student of American economic history that he dare not disregard it.

It is well known to students of American history that the Confederate States placed their reliance largely on cotton as a means of financing the war and as a means of bringing pressure on European states, particularly Great Britain and France, to recognize the Confederacy and then to intervene in the American contest in order to procure cotton for their mills. It is not so well known how they proceeded in their efforts to accomplish this purpose. With the tacit consent of the Confederate Congress, southern states and cities, as also southern commercial agencies, placed an embargo on the shipment of cotton to the

North and to Europe. Cotton was kept away from the port cities and held, as far as possible, on the plantations to show European cotton spinners how great was their dependence on southern cotton and that they must bring pressure on their governments to recognize the Confederacy. Later, when the blockade of southern ports had become partially effective, diplomatic pressure was placed on these governments to declare the blockade illegal and to endeavor to break it, even if this led them into war with the United States. The reviewer cannot even outline the steps in this diplomacy but the subject is so interestingly presented by Professor Owsley as to make his work an important addition to our history of the war.

His material has been carefully collected from unpublished private manuscripts and from public documents in the British and French foreign offices, the United States Department of State and the Library of Congress as well as from numerous newspapers and other printed sources.

Especially full of information to the economic historian are the chapters entitled "The cotton famine," "The ineffectiveness of the blockade" and "Confederate finances abroad." The blockade is shown to have been far less effective all through the war than it is generally thought to have been, although, in spite of this fact, surprisingly little cotton got out of the South by way of the blockade runners. The main reasons seem to have been the small crops of cotton grown in the South after 1861 and the transportation difficulties in getting cotton from the plantations to the ports. It is also possible that, if Professor Owsley had made a study of marine insurance rates, he might have found that the blockade was more effective as an economic measure than it was as a demonstration of naval strength.

He does show, however, that had the Confederate States done more to encourage the shipment of cotton through the blockade they could probably have raised more revenue in this way than by the method of cotton loans, especially if the government had conducted the business through a single purchasing agency.

The author is inclined to make light of the argument developed by Professor Louis B. Schmidt and others that British intervention was hindered by the greater dependence of the British people on wheat from the North than on cotton from the South. Probably more evidence than has yet been collected is needed to settle this point. More convincing is the author's argument that what really prevented England from intervening were the war profits which accrued to the British manufacturers of munitions, woolen and linen goods and even to those cotton manufacturers who were able to continue their business with the use of Indian cotton. Added to the above was the fact that the continuation

of the war between the States was helping Great Britain to regain the supremacy on the seas which the United States had nearly wrested from her during the Napoleonic wars.

One wonders if even this is not too materialistic an interpretation of history. Is it not possible that the strong repugnance which the British and French peoples had for slavery and their unwillingness to have their governments do anything which would help keep alive this institution may have exercised as much influence on the statesmen of those countries as did the eagerness of the war profiteers?

M. B. HAMMOND

*Ohio State University*

*The End of Reparations.* By HJALMAR SCHACHT. Translated by LEWIS GANNETT. (New York: Cape & Smith. 1931. Pp. 248. \$3.00.)

At the time when this book came out, early in 1931, in the excellent English translation of Mr. Lewis Gannett, its title appeared to most observers as a bold prophecy, indeed. Yet only a few months later reparation payments actually ceased; while a year after that the Lausanne conference announced solemnly that the agreement negotiated by it "will completely put an end to reparations." For an understanding of these meteoric events, Dr. Schacht's book presents some invaluable material.

The author was Germany's principal representative on the committee of experts which drew up the Young Plan. In a sense, the book is his *apologia* for having affixed his signature to that document, and even more for the line of conduct which, as President of the Reichsbank, he chose to follow during the Hague conferences, when he opposed the changes made in the original plan and finally resigned from his high post in protest against his government's acceptance of these changes. His thesis is that the Young Plan was not simply "an obligation accepted by Germany," but that it also established certain "economic pre-conditions," indispensable for its execution. The most important of these "pre-conditions" was to be a concerted effort to increase the production and trade of the world and to afford Germany an adequate opportunity to benefit from this expansion. This, in turn, involved a restoration of Germany to a position of complete international equality. The refusal of the Allies to carry out these conditions, as indicated by the decisions of the Hague conferences and other actions, according to Dr. Schacht, foredoomed the Young Plan to certain failure. His final conclusion was that "a responsible German government must face this urgent task: either it must demand that the obligations assumed by the Allies in the Young Plan be carried out, or it must stop making reparation payments."

There is in the book a great deal of criticism of the "socialistic" post-

war governments of Germany for the policies they have pursued at home and abroad, as well as many gloomy forebodings as to the future of the capitalistic system as it now operates. And, of course, there is a scorching denunciation of the policies pursued by the Allies with respect to Germany. On these highly controversial issues, Dr. Schacht has very positive and clearly expressed views. But it is not necessary to go with him all the way in these views to accept his basic thesis on the reparation question—with the reservation, however, that it is doubtful whether the Young Plan could have been carried out under any circumstances. That document is an outstanding example of the contagious optimism of the boom era, the all-pervasiveness of which is strikingly illustrated by the German proposal made to the Young committee on April 17, 1929. At that time, an offer was made by the German government to assume the obligation for 37 unconditional annuities of 450 million marks each, and an equal number of conditional annuities of 1,200 million marks each—sums which now appear fantastic in the light of the Lausanne agreement. Incidentally, the book contains the first published text of this interesting document.

In the very nature of things, Dr. Schacht's story is intensely personal and partisan. It shows the same vigor and clarity of thought that have always characterized his written and oral utterances. It not only makes good reading, but it is also an important historic document, representing as it does direct testimony by an outstanding figure in the most tragic of the many post-war dramas.

LEO PASVOLSKY

*The Brookings Institution*

*Les Grands Problèmes Italiens. I. L'Economie, les Finances et les Dettes.*

By MICHEL MITZAKIS. (Paris: Alcan. 1931. Pp. xvi, 442. 80 fr.)

This volume ably draws a picture of a remarkable decade in Italian history. Few readers will deem that it deals with problems so much as with the activities of an astonishing government in dealing with its economic problems. The Fascist State, though it first emerged in an endeavor to restore public order, promptly showed that its inspiration was to promote national economic welfare. In three years it raised production to the pre-war level.

Italy had never been able herself to feed her growing population. By a comprehensive program designed to continue until 1973, state, local government and employer were to work together for land improvement. With Fascist energy a third of this program was completed in five years. More intensive methods increased the cereal output per acre in 1929 to a point 25 per cent greater than that of 1909-13. Both number of consumers of wheat and average consumption increased, but an importation 50 per cent greater in 1929 than in 1913 partly explains this

result. Though Fascism has not realized its dream of agricultural independence, its accomplishments in the growing of wheat and other crops are remarkable.

In non-agricultural industry, the new régime was equally energetic. In the vexed matter of transportation, it replaced deficits with surpluses. Partly assisted by foreign loans, it put Italy at the head of all Europe in electrification. Yet coal imports also expanded, helping the output of steel, which in 1928 was twice that of 1913.

In foreign trade it encountered tougher resistance. Back in 1901-05 there had been a virtual excess of credits. This melted away under rising importation of cereals and raw materials and by 1914 was replaced by a deficit of a billion gold lire, to which the war added 20 billion. Trade revival in 1922-25 was succeeded by several years of difficulty, intensified by a decline of emigrants' remittances and a slowing of tourist traffic. What with the service on foreign loans and tepid demand for Italian exports (overseas emigrant colonies notwithstanding) complicated by tariff barriers, the outlook has continued somber.

The most notable results have been in finance. After 60 years of deficits, especially in local administration, the government, employing dictatorial powers, introduced radical reforms. It enlarged the number of taxpayers, taxing incomes of labor both in agriculture and elsewhere, levying a progressive tax on incomes, reforming the inheritance tax, simplifying and recasting the many indirect charges, reducing food taxes. Simultaneously it sharply reduced administrative outlays. It cut railway employees from 230,000 to 175,000, while improving the service. But it reduced the expenditures on national defense and the bureaucracy less than it officially claimed.

The national debt it boldly reformed. Half that owed internally was a floating debt which it consolidated. Current interest amounted to a quarter of the public expenditure (in France, half), and provision was made for amortization. Revaluation of the lira at too high a level disturbed anew the budget balance. Thanks largely to Volpi's skillful manoeuvring, great reductions of principal and interest were secured in respect of the war debts owed to England and America; remaining charges could be met by German reparations. These accords greatly enhanced Fascist prestige.

It is difficult to suggest in a bare outline how many-sided has been the author's treatment of his economic theme, how broadly selected his sources. He has not concerned himself with that delicate subject, the relation of the individual to the Fascist state. A second volume, dealing with money and credit, will follow.

ROBERT F. FOERSTER

*Princeton, New Jersey*



## NEW BOOKS

ABBATI, A. H., chairman. *The economic lessons of 1929-1931: the first eleven bulletins of the Unclaimed Wealth Utilization Committee of Geneva.* (London: P. S. King. 1932. Pp. vii, 94. 4s. 6d.)

ALBERTSON, M. *London merchants and their landed property during the reigns of the Yorkists.* A thesis. (Philadelphia: Winston. 1932. Pp. 107.)

BAKELESS, J., editor. *Report of the Round Tables and General Conferences at the Twelfth Session of the Institute of Politics.* (New Haven: Yale Univ. Press. 1932. Pp. vii, 345.)

The conference, held at Williamstown, Massachusetts, considered American economic foreign policy; the present position of credit and monetary problems; the St. Lawrence waterway; and the imperial economic conference. Syllabi and bibliographies are also included.

CHAMBERS, J. D. *Nottinghamshire in the eighteenth century: a study of life and labour under the squirearchy.* (London: P. S. King. 1932. Pp. xi, 377. 15s.)

CLAPHAM, J. H. *An economic history of modern Britain: free trade and steel, 1850-1886.* (New York: Macmillan. 1932. Pp. xiii, 554. \$5.50.)

COHEN-PORTHEIM, P. *The discovery of Europe.* (New York: Dutton. 1932. Pp. 296. \$3.)

DARLING, A. B., editor. *The public papers of Francis G. Newlands, edited and placed in historical setting.* Vols. I and II. (Boston: Houghton Mifflin. 1932. Pp. xi, 434; xi, 426. \$10.)

In the two volumes which comprehend this work, Professor Darling has brought together the more important ideas of Senator Newlands. The work is largely in the form of extracts from speeches, debates, reports, and sometimes remarks on pending legislation, testimony before committees and letters to public officials relative to matters of local and national interest. But the material is presented largely in its proper historical setting with editorial comments which connect the extracts with the history of the times. In fact, from the arrangement of the material one may obtain a fairly continuous history of the country from about 1890 to 1917. The extracts give a good idea of the reactions of Senator Newlands to these passing events.

Representing Nevada, Mr. Newlands often expressed the hopes of the middle and far western states. Whatever one may think of his arguments—as for example on bimetallism—one must say that he brought to the case a full knowledge of the issues involved, and that he presented his ideas in such a manner as to obtain the fullest weight for his arguments.

The extracts present the views of the senator on such questions as the free coinage of silver, the conservation of forests and coal lands, irrigation, the railroads, the trust problem, the operation of the Interstate Commerce Commission and of the Commerce Court. The volumes contain an extensive discussion of the tariff question, and of such issues as the work of the Federal Trade Commission, the federal reserve system, the control of money and banking, the regulation of water power, and appropriations for rivers and harbors. The extracts also present discussions of Panama tolls, of the Philippine question, of relations of the United States with the Caribbean countries and the relation of the government to labor issues. In short, practically the whole field of national political life is covered in these discussions.

I. LIPPINCOTT

EINZIG, P. *Finance and politics*. Being a sequel to *Behind the scenes of international finance*. (London and New York: Macmillan. 1932. Pp. x, 139. \$2.50.)

GRAYSON, T. J. *Leaders and periods of American finance*. (New York: Wiley. London: Chapman and Hall. 1932. Pp. xiii, 566. \$4.)

The chief object of the author of this book, who is professor of finance in the University of Pennsylvania, is to arouse an interest in the history of American finance through a study of the lives of American financiers. Accordingly he has presented many biographical facts of abiding interest. Morris, Hamilton, Gallatin, Girard, Astor, Biddle, Chase, Jay Cooke, Vanderbilt, Gould, Westinghouse, Armour, Carnegie, Hill, Harriman, Morgan, and Gary all appear in this work, as also contemporary politicians. The author has been content to rely upon secondary books, for he has sought to stimulate interest rather than discover new facts.

It is clear from the names enumerated above that under the head of financiers are included secretaries of the treasury, bankers, merchants and other business men. The statement (pp. 11-12) that the bills of the larger colonies "soon obtained a position of superiority" seems to leave out Maryland. The chapter on Astor deals with his trade in furs and overseas as well as in real estate, but it omits his financial affairs—for instance, his investments in real securities and his relations with the second bank of the United States.

Perhaps the chief thesis of the book is that "our private finance developed from the firm basis of public finance which first arose in the brain of Alexander Hamilton" (p. xii). This rather common view may be essentially correct, but it ignores the early commercial banks—the Bank of North America, the Bank of New York, and the Massachusetts Bank, which before the period of Hamilton's tenure of office played an important rôle, as indeed they continued to do subsequently.

The author has broad social sympathies but he is impressed with the personalities of some of the business leaders. We wish that he had discovered a few leaders for himself rather than dealing simply with the familiar figures. At times he dwells at great length upon some politician, such as Andrew Jackson and Van Buren, when we are looking for facts of financial history.

The general reader will get much out of this book. The student in the history of finance can go to it with profit, perhaps even read it before he enters a college class in financial history.

N. S. B. GRAS

HAMILTON, H. *The Industrial Revolution in Scotland*. (New York: Oxford Univ. Press. 1932. Pp. ix, 300. \$4.50.)

HOLLANDER, J. H. *Want and plenty*. (Boston: Houghton Mifflin. 1932. Pp. 69. \$1.25.)

In this essay, undocumented and without index, Professor Hollander has exercised the privilege of the seasoned economist and caused to pass in interpreted review the economic events of the past decade. Of a stripe with the Cambridge Economic Handbooks, of which American economists (and/or publishers?) have allowed us but a few, it is designed for the lay but intelligent reader. Hence it may not be justly objected that such interpretation of event and consequence should wait upon substantiation by the quantitativists or the mellowing of time. Perhaps the economists

are more to blame than the journalists for the paraphernalia of modern letters. Seemingly content to surrender periodical, trade journal, and book space to the latter, academic economists permit the laity to obtain its opinions on international debts, depressions, and governmental expenditures from the same pens that compose great meanings for miniature golf, Mexican handicraft, and civic corruption.

Younger economists should read pages 14-16 to find prescription for scholarly restraint. Too, it will toughen their skins for such street barbs as, "Why don't the economists do something about it?" and, "Why didn't you foresee it and help prevent it?" Others in the profession will, as the nature of the essay compels, find sentence after sentence to pique their investigative urge, to wit: "Corporations threw off the restraint of bank borrowing for current needs, to engage in the easy process of lavish self-financing, with the sequels of overstimulated plant extension, the congealing of banking assets, and the influx of bootleg funds into the call-money market" (p.24); "Were the capitalization percentage constant . . . plant value would automatically reflect the inflation and thereafter the deflation of consumers' prices . . . but the injection of fiat credit occasions an increase in loanable funds, a fall in the rate of return, and a rise in the capitalization multiple" (p. 50); "In the buoyant optimism of the reckless twenties, American banking was sucked into the speculative maelstrom as unresistingly as any other form of business" (p. 61).

And finally, many a teacher, himself fallen deductively, perhaps intuitively, upon similar conclusions, will take satisfaction from this offered trio of "intensifying factors of the economic disequilibrium: (1) the Mischievousness of Installment Selling, (2) the Degradation of Banking, and (3) the Perversion of Stock Exchanges" (p. 57 and ff.). Note especially, "If stock exchanges persist in the traditional attitude of ignoring the existence of pool operations, or if . . . they insist upon the usefulness or at least the harmlessness of such, or . . . profess their inability to regulate or prevent them, then . . . the inevitable alternative is public intervention" (p. 67) and then read Committee Hearings on Senate Resolution 84 of the 72nd Congress, pages 531-563.

W. BAYARD TAYLOR

HUTTON, D. G. *Nations and the economic crisis*. (London: Sidgwick and Jackson. 1932. Pp. xii, 168.)

KOHN, S. and MEYENDORFF, A. F. *The cost of the war to Russia: the vital statistics of European Russia during the World War, 1914-1917*, by S. KOHN. *Social cost of the war*, by A. F. MEYENDORFF. Russian ser. (New Haven: Yale Univ. Press for Carnegie Endowment for Internat. Peace. 1932. Pp. xv, 219. \$3.25.)

KOSZUL, J. P. *Les efforts de restauration financière de la Bulgarie (1922-1931)*. (Paris: Félix Alcan. 1932. Pp. xii, 468. 80 fr.)

KIRKLAND, E. C. *A history of American economic life*. (New York: Crofts. 1932. Pp. xv, 767. \$3.75.)

LASKER, B. and HOLLAND, W. L., editors. *Problems of the Pacific, 1931. Proceedings of the Fourth Conference of the Institute of Pacific Relations, Hangchow and Shanghai, China, October 21 to November 2*. (Chicago: Univ. of Chicago Press. 1932. Pp. xi, 548. \$5.)

A record of the round table discussions of the Conference, at which 132 members from eight countries were present. Thirty-one round tables

and 17 general sessions were held. Parts I and II relate to economic relations in the Pacific and China's economic development.

LOKKE, C. L. *France and the colonial question: a study of contemporary French opinion, 1763-1801*. (New York: Columbia Univ. Press. 1932. Pp. 254. \$3.75.)

MILLER, H. H. *Principles of economics applied to the Philippines*. (Boston: Ginn. 1932. Pp. xiv, 586.)

MORLEY, F., editor. *Aspects of the depression*. (Chicago: Univ. of Chicago Press. 1932. Pp. xii, 300. \$1.)

This book (in paper binding) is composed of the addresses broadcast over a country-wide network of the National Broadcasting Company from October 17, 1931, to May 21, 1932. These lectures, as explained by Levering Tyson in the preface and by President Butler of Columbia in his introductory address, were a well-considered part of the program of the National Advisory Council on Radio in Education to broadcast subjects of public concern and interest by recognized leaders of thought. This series was devised by the Council's Committee on Economics, appointed on recommendations made by the American Economic Association, the League for Industrial Democracy, and the Brookings Institution.

The readers of this little book are certain to feel indebted to those responsible for the preservation of these addresses, for this is, in the main, a book of gems. There is probably no other work available in which the best thoughts of so many distinguished and representative social scientists and other thinkers, with respect to our present economic depression, have been brought together in such small compass. The thirty lectures are grouped under three heads, with ten lectures under each: (1) "Economic Aspects of the Depression"—Bogart, Jane Addams, Moulton, Gay, Leiserson, Gephart, Nourse, Wolman, Hollander, and Mallery; (2) "Roads to Economic Recovery"—J. H. Rogers, E. M. Patterson, Taussig, Tugwell, Soule, Lorwin, C. E. Warne, R. C. Epstein, May, and Slichter; and (3) "New Social Responsibilities"—Hamilton, Frances Perkins, Douglas, Commons, M. L. Wilson, C. L. Christensen, Pearson, Laidler, Harold Reed, and Morley. This book is not only an excellent place to learn, in the shortest possible space, the theses of these authors with respect to the depression, but it is also an excellent place to secure a representative picture of what is perhaps the best thought of the present on the problems of the crisis. These lectures afford unusually delightful reading and should be read by every social scientist, social worker, legislator, and preacher in this country.

WALTER E. SPAHR

NEPRASH, J. A. *The Brookhart campaigns in Iowa, 1920-26: a study in the motivation of political attitudes*. (New York: Columbia Univ. Press. 1932. Pp. 128. \$2.25.)

NINA, L. *Le finanze pontifice nel Medioevo. Parte III. Quadro dei tributi temporali*. (Milan: Treves-Treccani-Tumminelli. 1932. Pp. 320. L.20.)

ROUCEK, J. S. *Contemporary Roumania and her problems*. (Stanford University: Stanford Univ. Press. 1932. Pp. xvi, 422.)

Contemporary Roumania faces problems that in number and complexity seem almost overwhelming. Having acquired huge additional territories by the Treaty of Versailles and, incidentally, large bodies of minority peo-

ples who constitute an ever-present source of difficulty, Roumania found herself after the World War faced with the duty of administering her new territories and governing her new nationals, as well as solving the other financial, economic, and political problems which have colored the country's history since the end of the war.

Dr. Roucek's book is an attempt to study these problems and to evaluate their significance in Roumanian life. After a few introductory chapters dealing with Roumanian history up to 1914 and the work of unification since that time, he discusses the political life of the country, its foreign affairs, the minorities problem, and the constitutional and administrative system. This is followed by a large section on "Economic Roumania" containing a careful and detailed analysis of the country's economic geography, of the agrarian problem and its reform, of economic and commercial policy, and of currency and banking.

The book is a careful study of a difficult problem and, despite a number of errors and uneven style, should prove, with its ample bibliographical notes, a useful addition to the books on the subject.

EMANUEL STEIN

SAUNDERS, S. A. *The economic welfare of the maritime provinces*. Econ. pubs., no. 1, \$1,000 prize essay in competition conducted by Acadia Univ. (Wolfville, N. S.: Acadia Univ. 1932. Pp. 160. \$1.50.)

TARBELL, I. M. *Owen D. Young: a new type of industrial leader*. (New York: Macmillan. 1932. Pp. xiv, 353. \$3.)

TAUSSIG, F. W. and JOSLYN, C. S. *American business leaders: a study in social origins and social stratification*. (New York: Macmillan. 1932. Pp. xiv, 319. \$3.75.)

THURNWALD, R. *Economics in primitive communities*. (New York: Oxford Univ. Press. 1932. Pp. xiv, 314. \$7.50.)

WADE, H. T., editor. *The new international year book: a compendium of the world's progress for the year 1931*. (New York: Funk and Wagnalls. 1932. Pp. 856.)

WHITE, L. W. and SHANAHAN, E. W. *The Industrial Revolution and the economic world of today*. (New York: Longmans Green. 1932. Pp. ix, 378. \$2.50.)

A text designed to meet the requirements of the senior class of the more advanced secondary schools presents a number of difficult problems of appraisal. In this country, many are ready to recognize that economics and economic history cannot be taught in the lower schools with sufficient success to warrant the displacement of other subjects in the curriculum. The present text will not modify these doubts, though it presents much basic material with genuine skill. Part I, devoted to the Industrial Revolution in its broader aspects, affords a useful summary of the better secondary literature. These chapters are fully comparable with the average elementary text, and might serve well in freshman or sophomore courses in colleges. Part II covers the structure of modern industry, finance, business cycles, international trade, unemployment, and public finance. No general course in economics can be assumed, and the approach is largely factual and descriptive. Some broad concepts of social policy are suggested, but it is hard to believe that they would be effectively grasped by the secondary school boy. In view of the analytical problems involved,



one may well doubt the expediency of attempting such an introduction to economics. These chapters suffer seriously from the self-imposed limitations of the authors.

As a summary of the present achievement in economic history, Part I emphasizes the shortcomings of our literature rather more sharply than texts of a more advanced character. It must be confessed that the authors have followed the established conventions, but when presented on this scale, it is more distressingly evident than usual that Karl Marx and Arnold Toynbee do not supply an adequate basis for the interpretation of modern economic history. One wonders how long a period must elapse before the critical revision now in process in the special literature will find its way into the general texts.

ABBOTT PAYSON USHER

*Il XL anniversario della enciclica "rerum novarum."* Scritti commemorativi pubblicati a cura della Università Cattolica del Sacro Cuore, ser. 3, vol. xi. (Milan: Soc. Ed. "Vita e Pensiero." 1931. Pp. xv, 641.)

The well known encyclical *Rerum Novarum* issued by Pope Leo XIII in 1891 interpreted the relationship between labor and capital in the light of Christian principles: it affirmed the inherent justification of private property, and the inevitability of a certain amount of suffering and toil as the common lot of all men; it denied the existence of a natural conflict between propertied classes and labor, and proclaimed catholic Christianity an efficacious means for the drawing together of rich and poor. It advocated the honest fulfillment of contracts entered into voluntarily, it opposed violence, recommended humane treatment of workers, factory legislation, protection of women and children, and regulation of working hours. Labor was extolled as an honorable calling, enabling man to sustain life in an upright and respectable manner. The encyclical had been directed against the rising tide of socialism, and also against the liberal school, and its proclamation has led to much controversy.

The Catholic University of the Holy Heart at Milan, with the aid of the catholic union for social sciences has sponsored this voluminous collection of essays in five different languages, written by 33 authors, together with the Latin text of the *Litterae Enciclicae Quadregesimo Anno*, issued by Pius XI which is substantially a re-affirmation of the *Rerum Novarum*. The essays thus contain an evaluation of Christian social approach to the labor problem, in the light of the past 40 years since the encyclica has been issued. The solution of the social problem is a moral rather than an economic question, according to these authors representing the viewpoint of catholic social science.

JOHN RICHARD MEZ

*The Canada year book, 1932: the official statistical annual of the resources, history, institutions and social and economic conditions of the Dominion.* (Ottawa: H. M. Stationery Office. 1932. Pp. xxxi, 1100. \$1.50.)

*Colombia. Spec. bull. on securities in default, no. 53.* (New York: Institute of International Finance. 1932. Pp. 35.)

*An industrial survey of the Lancashire area (excluding Merseyside) made for the Board of Trade by the University of Manchester.* (London: H. M. Stationery Office. 1932. Pp. ix, 380. 6s.)

- An industrial survey of Merseyside made for the Board of Trade by the University of Liverpool.* (London: H. M. Stationery Office. 1932. Pp. 174. 2s. 6d.)
- An industrial survey of the North East Coast area made for the Board of Trade by Armstrong College.* (London: H. M. Stationery Office. 1932. Pp. vii, 505. 7s. 6d.)
- An industrial survey of South Wales made for the Board of Trade by University College of South Wales and Monmouthshire.* (London: H. M. Stationery Office. 1932. Pp. 180. 3s. 6d.)
- An industrial survey of the South West of Scotland made for the Board of Trade by the staff of the political economy department of the University of Glasgow.* (London: H. M. Stationery Office. 1932. Pp. vi, 220. 4s. 6d.)

The British Board of Trade has organized industrial surveys under the superintendence of the faculties of economics of the colleges in different regions. Each of the above four volumes is a coöperative work, with a general introduction and special studies of important industries, and of transportation, trade, labor, and so forth. The quality of the work is distinctly superior to that provided by government officials, whether in Britain or in the United States. There are less undigested statistics; the text gives evidence of the determination and the capacity to evaluate the factors at work in contemporary British industry, with an eye to its prospects and possible reforms. These surveys offer admirable material to the student of economic organization and to the economic historian of the future.

CLIVE DAY

- New Zealand: local authorities handbook, 1932.* No. 7. (Wellington: Census and Statistics Office. 1932. Pp. viii, 429. 7s. 6d.)
- A record of a first international study conference on the state and economic life with special reference to international economic and political relations, held at Milan on May 23-27, 1932.* (Paris: Internat. Inst. of Intellectual Coöp. 1932. Pp. x, 184.)
- Review of world production, 1925-1931.* (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 163. \$1.25.)
- Statistical year-book of the League of Nations, 1931-32.* (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 342. \$2.)
- Contains tables on population, unemployment, production and consumption of a large range of commodities, commerce, public finance, currency and prices, and wages. As a rule the tables do not carry the figures back of 1922. For some of the tabulations index numbers are computed. Seven geographical maps are included; also an extended index and a summary of sources. The text is in French and English.
- World economic survey, 1931-32.* (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 327. \$2.50.)

### Agriculture, Mining, Forestry, and Fisheries

- Corn and Hog Surplus of the Corn Belt.* By ALONZO E. TAYLOR. (Stanford University, Calif.: Stanford Univ. Food Research Institute. 1932. Pp. xxi, 658. \$4.50.)

The appearance of vegetable oils as an important competitor of butter-fat and lard is an outstanding development in contemporary agri-

culture. The problems raised are extremely complex, since the fats and oils are generally joint products and are highly interchangeable. This book is an important contribution to an understanding of certain phases of the situation. There may be some doubt as to Mr. Taylor's views on certain controversial points, but his general position is quite clear.

A careful weighing of a great mass of evidence leads him to the conclusion that we face a present and continuing surplus of hogs. The definition of this surplus is vague, except that it is with reference to price and profitability of production. The implication is that under any reasonable concept of a surplus one will be found to exist. Moreover, since about half our corn is fed to hogs, we also have a corn surplus. These surpluses are expected to be of sufficient size to force considerable reorganization of corn-belt agriculture. Here hog raising is a dominant enterprise because hogs provide the cheapest way of converting grain into fat and the corn belt the most efficient region in which to do this. The lard-type of hog predominates.

Butter-fat, lard and cottonseed oil are the chief sources of fat in the American diet. Butter-fat for various reasons occupies a strategic position. Lard on the other hand is simply one of many fats. The development of the technology of fats and oils permits nearly every vegetable oil, following appropriate treatment and within limits, to be substituted for every animal fat or oil, probably excepting butter-fat. Price becomes the dominating factor in use; and low production costs for vegetable oils will secure an advantageous competitive position for them. Mr. Taylor thinks that the corn belt, in consequence, faces a serious problem in readjustment in addition to problems such as taxation and credit which are at present common to all agricultural areas.

The last portion of the book, some 240 pages, considers possibilities of the amelioration of the consequences of the surplus of corn and hogs. Little hope of success is held for the generally proposed "external methods." The ready expansion of hog numbers, now evident in our hog cycles, may be expected to cancel speedily any advantages gained by the equalization fee or price stabilization plans. In addition, the export-debenture is not feasible because of the complication of joint products in the packing process and the nature of our exports. The farm-allotment is simply impractical, the necessary division of production cannot be made. With such small prospect of success in these external methods relief must be found, if at all, in "internal methods" or methods instituted by the farmers themselves. The changes called for are obvious.

(1) There should be a lowering of production costs to enable competition to be met more effectively. Selection and improvement of breeding stock, larger farms with improved farm management and agricultural practice are called for.

(2) An adjustment in the volume of supply may also be made. This involves a contraction of the corn acreage, restricted and controlled breeding of hogs and an expansion of grass land. Some gain may also be achieved by a shift to bacon-type hogs, although this is hardly possible without change in feeding practices and consequent reorganization of type of agriculture. The alternative to these adjustments lies in lowering the standard of living, and this unfortunately has a very considerable probability. I gather the impression that Mr. Taylor expects a somewhat greater change in corn-belt agriculture than some of us think probable.

The student who is acquainted with the literature of agricultural problems, and that on corn and hog prices particularly, will find little that is new to him in the way of facts. But he will find stimulation in the selection, arrangement and weighing of these facts in support of the general thesis of the volume. Chapter 7 on "The post-war position of corn growers and hog raisers" is an especially good statement of the present position of a considerable portion of our agriculture. The discussion of the substitution of vegetable oils for lard might have been profitably expanded to indicate the exact oils from which competition is to be expected. There appears to be a difference of opinion, in recent statements which should be authoritative, as to the extent to which substitutions actually can be made and are probable.

WARREN C. WAITE

*University of Minnesota*

*The Canadian Grain Trade.* By DUNCAN A. MACGIBBON. (Toronto: Macmillan. 1932. Pp. xiv, 503.)

In this book we have a detailed history of the grain trade of Canada from 1605 to 1931 written by the Chief Grain Commissioner of Canada, and with all the myriad details of the story fitted into the pattern of the broad, economic principles involved. The author sketches rapidly the early wheat trade of eastern Canada under both French and British; then he turns to the prairie provinces of the west and shows Canada's rise to premier wheat exporter of the world. Each step in marketing is described factually and with regard to details. Since there have been ten governmental investigations of the grain trade in Canada, the author is able to draw upon a mass of documentary material. He was himself a member of one of these Royal Grain Inquiry Commissions—that of 1923-24.

He gives one chapter each to such marketing problems as these: production of grain, country elevators, transportation, terminal elevators, inspecting and weighing, eastern route, western route, Hudson Bay route, the grain companies, the milling companies, the pool, credit, the export market, and federal control of the grain trade.

The reader will find an impartial treatment of such controversial subjects as future trading, hedging, scalping, puts and calls, mixing of grades, the wheat pools. "The Pool," says the author, "is in very grave difficulties. . . . Despite its present position the Pool represents the most ambitious effort yet put forth by the western farmer in the field of producer control of marketing as well as the high water mark in achievements." Fixing the initial payment of the 1929 crop too high brought on the crisis in which the Pool is still enmeshed. With the central Pool at Winnipeg out of the picture, there are left the three provincial pools, handling grain in the same manner as private companies do.

Two economic principles are illustrated by the author, the tendency towards large-scale operations in Canada's grain trade, and the advantages and limitations of government control of the grain trade. Speed and large-scale operations are two features of the physical handling of grain. In the bumper crop of 1928 the railroads showed what they could do. They moved 24 trains a day, 60 cars of grain each, out of Winnipeg for 77 days of the heavy movement. The terminal elevators at Fort William and Port Arthur occupy a harbor frontage of 30 miles; they have a storage capacity of 93,000,000 bushels; one of these houses has a record of unloading 314 cars in 20 hours; this same house can load 100,000 bushels per hour onto a vessel. To finance the grain the Canadian banks furnish as high as \$200,000,000 credit; the insurance companies carry the fire hazard, amounting to \$263,000,000. Fourteen big grain companies (including four farmer companies) now control nearly all the grain trade of Canada. The ten large private companies are also interlocked in many cases with flour mills and bakery chains and also with banks. Since they also own lines of country elevators we see here a good example of vertical integration. In some cases the same men control the flow of wheat from the time it leaves the farmer's wagon until it is delivered as bread at the door of the consumer. "The strong trend," says the author, "which at present exists towards consolidation and the creation of large handling and marketing units in the Canadian grain trade, does not appear to have run its course."

The federal government of Canada regulates the grain trade through the Canada Grain act. The author considers this law the Magna Charta of the producers. The author is sceptical, however, about any further projection of the government into the business of wheat marketing, particularly with schemes to stabilize or elevate price. His conclusions may be summarized as follows:

The present marketing machinery, on the whole, "performs its functions with efficiency and cheapness." From the perspective of a term of years, the present system can reasonably "claim to approach orderly



marketing. The theory of price control, with uncontrolled production, has been proved definitely to be a fallacy. Control of world wheat production is not within the ambit of practical economics."

In my 20 or 30 years of observation of literature on the grain trade, this is the best book I have seen on that subject in any language in any country. It is a masterpiece.

JAMES E. BOYLE

Cornell University

#### NEW BOOKS

ANSTROM, G. *The American farmer*. Internat. pamphlets no. 23. (New York: Internat. Pamphlets. 1932. Pp. 31. 10c.)

BLACK, J. D., editor. *Research in farm management: scope and method*. Bull. no. 13. (New York: Soc. Sci. Research Council. 1932. Pp. 322. \$1.)

This report is the thirteenth in a series on scope and method of research in the various phases of agricultural economics and rural sociology prepared under the direction of the Advisory Committee on Social and Economic Research in Agriculture of the Social Science Research Council.

The objectives of the report are: "To outline this subdivision of the field of research in agricultural economics; to indicate its relationship to other parts of the field; to describe briefly the present status and recent trends in research in farm management; to outline a considerable number of projects representative of those now under way or needed to round out the program of farm management research; and to suggest methods and procedures which are being used or which may be used to advantage in different types of projects."

The report consists of sections dealing with the objectives, the definition of the field, a discussion of farm management as applied science, recent trends in farm management research, suggested procedure for specific projects and discussions of 38 projects covering various phases of the field. Comparison of the projects under way in 1927, as shown by the survey made under the direction of this advisory committee, with the projects under way in 1931 indicates that cost of production projects occupied a relatively less important position in 1931 than in 1927 and projects dealing with relationships of enterprises, farm analysis, and farm reorganization had increased in importance.

Of the 38 specific research projects listed, 35 are described and discussed in considerable detail. The first six projects deal with various phases of type of farming studies and the remaining 31 are concerned with studies of various phases of the entire farm business, of enterprises, and of farm practices. The report is notable for the omission of projects and discussions reflecting the viewpoint of those who have placed greater emphasis on money costs.

W. E. GRIMES

BUCK, J. L., director. *The 1931 flood in China: an economic survey by the department of agricultural economics, College of Agriculture and Forestry, University of Nanking, in coöperation with the National Flood Relief Commission*. (Nanking: Univ. of Nanking. New York: Univ. of Nanking, 150 Fifth Ave. 1932. Pp. 74. \$2.)

CIRIACY-WANTRUP, S. VON. *Die zweckmässigen Betriebsgrössen in der Land-*

*wirtschaft der Vereinigten Staaten von Amerika.* (Berlin: Paul Parey. 1932. Pp. 149. R.M. 10.60.)

Measured in terms of superficial area (to which for the prosecution of his study the author decides to restrict himself) the optimum sizes of farms in the Corn Belt, he finds, range from 60 to 300 acres in northern Illinois, the dairy farming area, and from 100 to 380 acres in central Illinois, the corn-hog farming area. Optimum size, he points out, depends upon the physical and economic environment, upon the effectiveness of adjustment between size and farm organization, upon its profitableness in terms of the operator's income, and finally upon the farmer himself.

The treatise involves a comprehensive exposition of the physical and economic conditions existing in the state of Illinois, the important influences underlying the evolution of our farm size pattern, and a description of the evolution of this farm size pattern from 1850 to 1925. Following this, the author launches into a dissertation on the relations found between size and farm organization, size and farm returns, and the adjustment of farm organization to size. In the latter the concept of intensity, under the influence of the law of diminishing increments, is given particular attention.

The most important indicator of the effectiveness of the various sizes, according to the author, is their influence upon the incomes of the operators; what he terms the "private economic productivity" of the farms. For purposes of his study he attempts to determine in addition to "the private economic productivity" of various sizes, the effect upon the size distribution of changes in farm returns in the various size groups. For the first he studies individual farms and their individual returns. For the second he studies the problem historically in a collective sense.

Dr. Von Ciriacy-Wantrup's treatise is worth a careful reading and study by American workers in the field of agriculture. Seen through the eyes of a European, the American "hired-help-employing-family-farm" (die Lohnarbeiter beschäftigende Familienwirtschaft) appears in a new light. Throughout his dissertation one notes his very apparent attempt to explain to his German audience why large farms—estates—did not and do not prevail in the United States, and warns his readers that what he has written and said applies to the above mentioned smaller economic unit and to it alone.

WALTER J. ROTH

GANGOPADHYAY, R. *Agriculture and agriculturists in ancient India.* (New York: Stechert. 1932. Pp. 147. \$1.)

HARRINGTON, J. P. *Tobacco among the Karuk Indians of California.* Bureau of American Ethnology, bull. 94. (Washington: Supt. Docs. 1932. Pp. xxxvi, 284. 80c.)

HITZ, V. E., compiler. *The grape industry: a selected list of references on the economic aspects of the industry in the United States, 1920-1931.* Agric. econ. bibliog., no. 36. (Washington: Supt. Docs. 1932. Pp. 161, mimeographed.)

KIESSLING, O. E. *Mineral resources of the United States, 1929.* Part I. *Metals.* Part II. *Nonmetals.* (Washington: Supt. Docs. 1932. Pp. x, A123, 968; viii, 858. \$1.50.)

KILE, O. M. *The new agriculture.* (New York: Macmillan. 1932. Pp. x, 218. \$2.)

A better title for this interesting contribution would be *Experiments towards a New American Agriculture*, because the examples of farm organiza-

tion here discussed, while thought-provoking, are so atypical of farming as carried on by the rank and file of American producers, that they scarcely deserve to be treated either as trends or as symptoms of a change. They are violent, isolated mutations with no power to reproduce themselves. In contrast to the melancholy aspect of American agriculture today, carried on by six and a half million farmers who have made no profit, many of them making no wages and an increasing number not having enough gross sales to pay interest and taxes, Mr. Kile describes a series of violent departures from the general farm management organization in vogue that are apparently making profit.

There is detailed and illuminating description of the Walker-Gordon plant at Plainsboro, New Jersey, where some 1,400 cows are the source of the farm's products. The organization includes an arrangement with farmers on units of 125 or 200 acres who grow much of the feed consumed by the cattle, raise the young stock and who form a "coöperating unit working under the centralized requirements of the system as a whole." The 3,000-acre plant permits the use of large-scale machinery of which rather startling innovations are the green-feed-dehydrators and the "rotolactor." The dehydrator makes possible the continuous curing of hay "from spring until late fall, rain or shine, night as well as day when necessary, and the hay is cured with a minimum of handling." A variety of losses are avoided, and the hay has a higher protein content. The dehydrator has found an additional use in dehydrating manure. "This material emerges in a thoroughly dry, odorless, pulverized state and resembles prepared feed."

The "rotolactor" is an even more spectacular innovation. This is a machine that milks 240 cows per hour. The cows enter a slowly rotating circular platform, are treated to a shower, dried by hot air blasts, tested by fore-milkers and milked by milking machines, the milk being drawn through sterilized air tight tubes to individual sealed pyrex glass containers from whence it is weighed, recorded and piped to an adjoining building where it is aerated, cooled and bottled. The whole process takes 15 minutes per cow.

Mr. Kile similarly discusses the Wheat Farming Company at Hay, Kansas, The Collins Farms Company of Cedar Rapids, motorized family farms, and several other farm organizations that depart widely from accepted farm practices.

The pictures here presented are challenging, though one can scarcely agree with the author that they represent the prototypes of a future agriculture. Each decade or so a book is published describing a prototype of a new agriculture. Somehow those of one decade seldom survive to be included in the prototypes of the succeeding decade. A series of such farms were described by Dr. Brookings about five years ago. None of the farms included by Dr. Brookings are included in the farms discussed by Mr. Kile. Many of the farms discussed by Dr. Brookings as presaging a new era of corporation farming have gone into bankruptcy, some have dissolved and little is known of the remaining number.

The fast moving recent events make it much more probable that the low prices, low wages and high machinery costs will make for a de-mechanization of the American farms with consequent smaller farms. The "new American agriculture" is much more rapidly moving to peasantry than to mechanized corporation farming.

BERNARD OSTROLENK

- PECK, M., and others. *Economic utilization of marginal lands in Nicholas and Webster counties, West Virginia*. U. S. Dept. of Agric., tech. bull. no. 303. (Washington: Supt. Docs. 1932. Pp. 64.)
- RAYHAWK, A. L. *The energy resources of the United States in relation to future population developments*. A thesis. (Washington: Catholic Univ. of America. 1932. Pp. 142.)
- TIMOSHENKO, V. P. *Agricultural Russia and the wheat problem*. (Stanford University: Food Research Inst. and Committee on Russian Research of the Hoover War Library. 1932. Pp. xi, 571. \$4.)
- TRYON, F. G. and ECKEL, E. C., editors. *Mineral economics*. Lectures under the auspices of the Brookings Institution. (New York: McGraw-Hill. 1932. Pp. x, 311. \$2.50.)
- A collection of lectures given in 1931 by 15 experts. Among the subjects were: "Geographic distribution of world mineral production"; "The natural gas invasion"; "Tariffs and exhaustible resources"; "Problems in mine taxation"; "Production control in the petroleum industry"; "Precious metal supplies and the price level."
- VAILE, R. S. and PICKETT, V. G. *Coal distribution in the twin cities*. Stud. in econ. and business, no. 2. (Minneapolis: Univ. of Minnesota Press. 1932. Pp. 99. 75c.)
- VOSKUIL, W. H. and EICH, A. R. *Illinois mineral industry in 1931: a preliminary statistical summary and economic review*. Rep. of investigations no. 25. (Urbana: State of Illinois Geological Survey. 1932. Pp. 49.)
- Farm accountancy: statistics for 1928-29*. (Rome: Institut International d'Agriculture. 1932. Pp. civ, 278. L. 50.)
- Forest land use in Wisconsin. Report of the Committee on Land Use and Forestry*. (Madison: State House. 1932. Pp. 156. \$1.)
- Gold mining and milling in the United States and Canada: current practices and costs*. Bureau of Mines bull. 363. (Washington: Supt. Docs. 1932. Pp. 151. 15c.)
- The land and the national planning of agriculture*. Policy rep. no. 4. (London: The Labour Party. 1932. Pp. 28. 3d.)
- Live stock and animal products statistics, 1931*. (Ottawa: H. M. Stationery Office. 1932. Pp. 112. 25c.)
- National Fertilizer Association: proceedings of the eighth annual convention held at White Sulphur Springs, West Virginia, June 6-8, 1932*. (Washington: National Fertilizer Assoc. 1932. Pp. 60.)
- Wheat studies*. Vol. VIII, No. 9. *Projected waterways in North America as related to export of wheat*. No. 10. *Survey of the wheat situation, April to July, 1932*. (Stanford Univ., Calif.: Food Research Institute. 1932. Pp. 445-468; 469-502. \$.75; \$1.)

## Manufacturing Industries

### NEW BOOKS

- BURGY, J. H. *The New England cotton textile industry: a study in industrial geography*. (Baltimore: Waverly Press. 1932. Pp. vii, 246.)
- CHERINGTON, P. T. *The commercial problems of the woolen and worsted industries*. (Washington: Textile Foundation. 1932. Pp. xiii, 242.)

This is primarily a descriptive study of problems faced by the woolen and worsted industries. Its purpose is frankly to assist in improving the profit-

making possibilities of these related industries. While little attention is given to the broader social aspects of the problems, attention is frequently called to the importance of such considerations. The background and changing conditions of these industries are presented first, then the weak spots are noted and finally proposals for improvement are made. It is intended that this study should give a general picture of the problems throughout the industries and thus serve to show the lines for more detailed inquiries. In general terms the proposals for improvement are twofold. First, a combination of joint and individual action and secondly, a greater use of factual data. The availability of necessary information for intelligent planning and operation by individual concerns requires both increased realization of the need for factual information and greater coöperation in obtaining it.

H. LARUE FRAIN

Wood, H. A. W. *Progress in newspaper manufacture and its effects upon the printing industry, with particular reference to the reorganization and reconstruction of the newspaper printing press.* (New York: Wood Newspaper Machinery Corp. 1932. Pp. 50.)

*Reorganisation of the electricity supply industry.* Policy rep. no. 3. (London: The Labour Party. 1932. Pp. 19. 2d.)

### Transportation and Communication

*The Interstate Commerce Commission: A Study in Administrative Law and Procedure.* By I. L. SHARFMAN. Part II. (New York: Commonwealth Fund. 1931. Pp. 533. \$4.50.)

The second part of Professor Sharfman's study is entitled "The Scope of the Commission's Jurisdiction" and the subjects dealt with are railroad regulation and the control of allied utilities, the assertion of power over interstate commerce, and the exercise of administrative discretion.

In exercising its jurisdiction the Commission has always acted in a restrained manner and emphasized substance rather than form. From the very beginning the Commission recognized that its authority was entirely statutory and made legislative recommendation to Congress rather than read into the act doubtful powers. The rather meager record of performance relating to the regulation of sleeping-car companies, pipe lines, and telephone and telegraph utilities is explained by the fact that the Pullman service concerns a limited class of patrons, that the pipe lines perform a highly specialized service, and that the service of the telephone and telegraph companies is to a great degree intrastate. The occasions for the assertion of the regulatory power with respect to these agencies is limited.

Professor Sharfman feels very strongly that "the field of transportation has been and must remain the primary objective of the Commission's regulatory activity." This thought, I feel, is shared by most of those who have paid any attention to this problem. The Commission's jurisdiction should embrace not only rail carriers but all those common



carrier agencies which transport persons or goods in interstate commerce. This would include highway, water, and air carriers. In extending the Commission's jurisdiction to these other agencies of transport there would be a greater unity and coördination of our regulatory activities. The very nature of the transportation function calls for a centralization of control of all these carriers. In extending the jurisdiction to highway, water, and air carriers it does not follow that the same comprehensive system of regulation which the Commission has developed for the control and supervision of rail carriers should be applied to these other carriers. The nature of control applicable to motor carriers and to water carriers as well as to air carriers must be determined in each case in accordance with their technical and economic characteristics. In the case of these carriers other than rail, greater reliance may be placed on competitive forces.

It has been suggested in some quarters that the control and supervision of the interstate transmission of electrical energy be placed under the jurisdiction of the Interstate Commerce Commission. Such a move is opposed by Professor Sharfman. He does not believe that the Commission should be converted into a utilities commission performing regulatory functions similar to state utility commissions. The regulation of transportation services, facilities, and charges is the primary function of the Interstate Commerce Commission. It is admitted that significant public problems are emerging in connection with the interstate distribution of electrical energy. These are important enough and of sufficient magnitude for the government to enlarge the powers of the Federal Power Commission and make it a complete regulatory body or set up a new tribunal for that purpose.

The regulatory powers and policy of the Commission have been developed along national lines because the same plant and facilities are used in both interstate and intrastate commerce. In addition it must also be observed that industrial and commercial enterprise is ignorant of state boundary lines. The immediate reason for asserting federal power over intrastate commerce may be ascribed to the lack of harmony as between interstate and intrastate rates and to conflicts of authority. Later it was recognized in the Transportation act of 1920 that the federal government had to assume affirmative responsibilities toward the railroads and regard them as a national transportation system. The credit of the carriers had to be maintained and facilities kept adequate.

There has been a certain amount of coöperation between the federal Commission and the state commissions. State bodies have conducted the hearings in a large proportion of the extension and abandonment cases; and in most instances the recommendations of these state commissions have been followed by the Interstate Commerce Commission. Immediately

after the rate increase of 1920 the Commission participated in numerous intrastate rate proceedings which grew out of the Commission's general authorization. At that time the Commission was inclined to hold that rate disparities constituted a species of unjust discrimination against interstate commerce and as a consequence the intrastate rates were forced up to the interstate level. In recent years a marked change in this respect has been noticed in the Commission's policies. Its authority over intrastate rates is restricted to cases where there is clear and persuasive proof of actual discrimination and where it is shown that because of such a situation a direct burden has been thrown on interstate commerce.

From the very beginning the Interstate Commerce Commission has been regarded as a tribunal which is required to exercise discretion. The generality of the basic standards indicates this fact. The Commission is authorized, within its discretion, to determine and prescribe the reasonable rate to be charged for service. What constitutes a fair rate of return is left to the Commission within certain limits. The apportionment of joint rates rests in the final analysis with the Commission's discretionary power as does also the adjustment of rate relationships as between interstate and intrastate commerce. The element of discretion tends to control many of its formal and informal pronouncements. The channel, within which the Commission operates, is defined in broad terms.

Most of the proceedings before the courts upon appeal from the decisions of the Commission revolve about the question whether the Commission has acted within the scope of its authority. "The courts," says Professor Sharfman, "provide negative safeguards against unlawful action; the tasks of positive control are reserved to the Commission, and the findings and orders to which they lead are free from disturbance."

Because its discretionary power is so important and far-reaching, it is imperative that the Commission be and remain free from political influences and from external pressure of all kinds. Denial of reappointment because of dissatisfaction with specific opinions of commissioners is bound to undermine the character of the work performed. The executive and legislative branches of government must keep their hands off the Commission's rulings and determinations, though there is no question as to the right of Congress to formulate the regulatory structure and prescribe general policies.

A high standard of excellence has been maintained in the two parts of this study of the Interstate Commerce Commission. Part III, which will be devoted to the character of the Commission's activities, is being eagerly awaited by all students of transportation and regulatory problems.

HENRY R. TRUMBOWER

*University of Wisconsin*

## NEW BOOKS

DANIELS, W. M. *American railroads: four phases of their history*. (Princeton: Princeton Univ. Press. 1932. Pp. 120. \$1.50.)

Four aspects of American railroad development, as discussed in four lectures delivered this year at Princeton University, are treated both clearly and entertainingly in this little book. There is first an account of the relation of railroads to central financial markets, covering an evolution from the period before the Civil War when capital was largely provided by the communities served, through the succeeding 40 years of wild and corrupt finance when powerful magnates cornered shares both to consolidate systems and to enrich themselves, into the present period of dominance by investment bankers. A second chapter traces the successive attitudes of Congress toward the roads, "first its favor, next its frown, and finally what is termed its 'fostering guardianship,'" the corresponding periods being 1850-1870, 1870-1920, and 1920 to date. Chapter 3 tells the story of presidential leadership, notably by Roosevelt and Wilson, in railroad matters. In a concluding chapter, the reasons for popular antipathy toward the railroads, and the current dissipation of that feeling through the removal of abuses, improvement of service, reduction of costs, and, particularly, the appearance of new agencies that undermine our earlier dependence on rail carriers, are presented in a well-balanced and comprehensive manner—an excellent delineation of the background against which forthcoming transport policies should be drawn.

SHOREY PETERSON

KIDD, H. C. *Regulation of intercoastal commerce*. Bureau of Bus. Res. monog. no. 2. (Pittsburgh: Univ. of Pittsburgh. 1932. Pp. 87. \$1.)

MACNEEL, M. W. *The history of transportation in the United States*. Teachers' lesson unit ser., no. 35. (New York: Teachers Coll., Columbia Univ. 1932. Pp. 21. 25 cents.)

MUNDY, F. W., editor. *Mundy's earning power of railroads*. 27th issue. (New York: Jas. H. Oliphant. 1932. Pp. 727.)

PEGNUM, D. F. *Rate theories and the California railroad commission*. Pubs. in econ., vol. x. (Berkeley: Univ. of California Press. 1932. Pp. vii, 165.)

A useful study of public utility rate regulation in California. Comparisons are made with federal regulation and with that of other states. The history of regulation is traced; then the problems of rates are considered under the headings of fair value, fair return, cost of service and particular rates, what the traffic will bear, competitive rates, potential competition, and comparative rates. The material would have been more effectively presented if the distinction between the general rate level and particular rates had been more carefully adhered to. Thus the chapter on "Potential competition," which bears on the former, is sandwiched between two chapters dealing with the latter, and the chapter on "What the traffic will bear," returns out of order to the problem of the general level.

The theoretical analysis is, on the whole, excellent. But there are some curious slips. The statement (p. 80) that "it was evident that a rate schedule which would yield a fair return on any rate base that might reasonably be devised, would have been far more than the traffic could bear" is meaningless. The conclusion (pp. 78 and 82) that, if the railroads since 1920 have not earned a fair return, it is "obviously" because the traffic would not

bear it, assumes a will, on the part of the Interstate Commerce Commission, to grant such a return, which, unfortunately, was lacking. Of the three reasons given why value of service is the chief factor in the fixing of particular rates (p. 83), the first (joint cost) seems to the reviewer of very limited validity, the second is not clear, and the third, "because many factors other than cost must enter into the determination of rates" begs the question. Monopolistic discrimination is not mentioned, nor is the fuller utilization of the plant.

A final chapter summarizes the pressing current problems which the Commission has failed to solve satisfactorily. First, the "weak and strong" problem has been dodged by setting rates which will yield no more than a fair return to the strong companies, and, of course, less than enough to maintain the credit of the weaker ones. Secondly, the issue of competition *vs.* monopoly has not been settled. Thirdly, little has been done towards finding methods to encourage efficiency in management and to regulate the sharing of the gains between consumer and producer. Fourthly, instead of facing squarely the facts of prosperity and depression, and devising a rate policy to meet them, the faulty principle has been adopted that the rate of return must be approximately stable from year to year. Finally (a conclusion driven home with especial effectiveness in this study), the California authorities, together with virtually all commissions and courts alike, "have paid too much attention to the rate base and the rate of return as such, to the neglect of the question of financial requirements and credit of the utilities" (p. 148). Here is a list of the major problems confronting public utility regulation today that could hardly be improved upon. Mr. Pegrum's study does not fail to illumine them, one and all.

EDWARD CHAMBERLIN

REEVES, A. *Importance of highway transportation to economic recovery. Address before the Institute of Public Affairs, Univ. of Virginia, July, 1932.* (New York: National Automobile Chamber of Commerce. 1932. Pp. 16.)

THOMPSON, S. *Railway statistics of the United States of America for the year ended December 31, 1931, compared with the official reports for 1930 and recent statistics of foreign railways.* (Chicago: Bureau of Ry. News and Statistics. 1932. Pp. 186.)

*Freight commodity statistics: Class I steam railways in the United States, year ended December 31, 1931.* Statement no. 32100. (Washington: Supt. Docs. 1932. Pp. 181. 80c.)

*National planning of transport.* Policy rep. no. 2. (London: The Labour Party. 1932. Pp. 21. 2d.)

*A yearbook of railroad information.* 1932 ed. (New York: Committee on Pub. Rel. of the Eastern Railroads. 1932. Pp. 96.)

### Trade, Commerce, and Commercial Crises

*Krisenwende.* By FELIX SOMARY. (Berlin: S. Fischer. 1932. Pp. 59. RM. 1.)

Since the depression began in what Somary calls the colonial countries, that is, those producing raw materials (including the United States), through the fall in prices of commodities, recovery must also begin in

these countries. European industrial nations will not show economic convalescence until later because the depression proper did not get started there as early as elsewhere. The present tendency of raw materials and foodstuffs to show a hardening of prices would seem to indicate that the beginning of recovery is under way. A supplementary factor Somary finds in the large amount of capital that is available for lending purposes chiefly in such countries as France, Switzerland, and Holland. This capital which is hoarded today is hungry for an opportunity for investment and whenever the probable losses of investment become less than the sacrifice of interest in hoarding, it will come out of its hiding places.

According to Somary, the various exchanges have discounted the worst possibilities, and we need not fear anything worse than what has already happened and are consequently justified in hoping for better times.

The following suggestions are to be borne in mind in attempting to stimulate recovery: Intervention which comes too early is bad. The Hoover program which came at the end of 1929 as well as various moratoria have intensified the depression. Valorization on the part of the producers would be harmful but if undertaken by purchasers, it might be of benefit, if it does not come too early. Nothing can be done by creating additional credit. Neither capital nor credit is lacking. There is only a scarcity of good borrowers. It does not pay to hold what is ready to fall. One beneficial effect of the depression has been the elimination from credit privileges of the firms whose credit standing was based on the efficiency of a by-gone generation. New leaders will have to come forth in government and business who are not weighted down by the sins of the past.

Some space is devoted to the relation of reparations and international political debts to the present economic situation. He suggests certain concessions to the United States in order to obtain the cancellation of debts. A union of European debtors should be formed, not for the purpose of refusing payment but with the idea of attempting to free America from the depression. He admits that it appears Utopian to suggest that weakened Europe should rescue America from the depression. His idea is that European governments should agree to purchase from the United States for a period of time some raw materials and foodstuffs, the quantity to correspond to the average amount purchased by them from the United States during the years 1922 to 1926. This plan is to be in effect only until prices show a decided tendency to rise. It would constitute a valorization plan by the purchaser, and, since a rise in the price of raw materials would initiate recovery, this would be tantamount to starting it on its way.

The several objections that can be brought to such a plan are: (1) the



risks of the European governments who would take these goods and (2) the competition of these goods with the home products. The first Somary thinks is not a serious danger since prices have reached their lowest point. The second objection is difficult to answer, but how can these countries expect a remission of debts from the United States if they are not even prepared to take from it at present prices a quantity of goods corresponding to the average of those taken on the upswing of the business cycle? Somary does not explain how these purchases are to be financed, but he feels that the grain and cotton farmer as well as the petroleum and copper producers of the United States would recognize that this valorization coming from the purchasers of their goods would mean the end of the depression. For that reason, Washington can count on their support in accepting the plan of debt cancellation.

The reviewer does not believe that this governmental importation of raw materials would be a success. In the final analysis these goods would have to be consumed by the people, who can purchase directly if they desire and if they have the effective purchasing power. Somary's suggestion seems only another plan for attempted governmental valorization.

WILLIAM F. HAUHART

*Southern Methodist University*

#### NEW BOOKS

CAMPBELL, T. D. *Russia: market or menace?* (New York: Longmans Green. 1932. Pp. x, 148.)

COVER, J. H. *Neighborhood distribution and consumption of meat in Pittsburgh as related to other social and economic factors.* (Chicago: Univ. of Chicago Press. 1932. Pp. 228. \$2.50.)

FONG, H. D. *Cotton industry and trade in China.* Vols. I and II. Industry ser. bull. no. 4. (Tientsin: Nankai Institute of Econ. 1932. Pp. xxiv, 356; 116. \$5.)

An exhaustive and creditable research investigation of the largest factory industry of China, illustrating the growth of industrialization in China during the past decade. The first volume contains the descriptive text which covers the production, marketing and consumption of raw cotton; chapters on labor problems involved in the industry; and foreign trade. The second volume is a compilation of statistics which includes financial statements of four cotton mills.

GRAVES, L. M. *The great depression and beyond.* (New York: Brookmire Economic Service. 1932. Pp. vi, 192.)

"An essay on the main tendencies in the twentieth century." Part 1 deals with the background of the present depression; Part 2, the liquidation, 1929-31; Part 3, world credit collapse, May, 1931; and Part 4, undercurrents in the main flow, 1932, and beyond. "In due time, we seem destined to 'evolve' from the old growth forms, through democracy, to the later fascist or communist despotisms."

HARTHOORN, M. A. G. *De huidige crisis. Rede gehouden naar aanleiding van*

*de aanvaarding van het ambt van Buitengewoon Hoogleraar in het Staats-Administratief en Handelsrecht aan de Technische Hoogeschool te Bandoeng.* (Batavia: Kolff. 1932. Pp. 45.)

This lecture on the present economic crisis, given before the faculty of Java's new school of technology at Bandoeng presents an able discussion of the causes of the world-wide depression. It recommends constructive governmental interference, and a more elastic spirit of coöperation among the laborers, for the protection of private enterprise in times of stress.

JOHN RICHARD MEZ

HARWOOD, E. C. *Cause and control of the business cycle.* (Boston: Financial Pub. Co. 1932. Pp. xiii, 165. \$2.)

MACROSTY, H. W. *The overseas trade of the United Kingdom, 1924-31.* Printed in advance of the *Journal of the Royal Stat. Soc.*, vol. xcv, part iii. (London: Royal Stat. Soc. 1932. Pp. 39. 1s. 6d.)

SOMARY, F. *Die Ursachen der Krise.* (Tübingen: Mohr. 1932. Pp. vii, 122. R.M. 6.)

Somary publishes a number of addresses which he delivered during the years 1926 to 1931. They are prophetic in that they predicted in almost uncanny fashion some of the things which would develop out of the recent upswing of the business cycle. He believes that during none of the crises of the eighteenth and nineteenth centuries was it so evident in advance what had to happen. In 1926 he stated that the tariff policy of the United States was the most dangerous element in the international economic situation, the strongest creditor nation being also the most obstinate protectionist. The loaning of short-term funds to a relatively weaker nation, according to Somary, is justified economically only if it leads to exporting of goods by the debtor to the creditor nation. He warned against the loans which were made by the United States since it had too high a tariff to permit the importation of goods. The other possibilities would be long-time loans or short-time credits which would be continuously renewed. He does not regard the United States as a fertile field for foreigners to get long-time capital; and for short-time loans the uncertainty of the United States as a creditor made the position of European countries dangerous.

This same note is evident throughout the various addresses given by Somary. Most of his predictions turned out to be correct. He combines the facilities of a practical banker and of an economist in the discussion of this question.

WILLIAM F. HAUHART

STUCKEN, R. *Die Konjunkturen im Wirtschaftsleben.* (Jena: Fischer. 1932. Pp. xii, 180. R.M. 9.)

*Chiffres essentiels du commerce extérieur des pays danubiens.* Etudes relatives au problème des rapprochements économiques européens, ser. 2. (Geneva: Société des Nations. 1932. Pp. 58.)

*Commerce extérieur de la République Tchécoslovaque en 1930.* Part 2. *Commerce spécial.* (Prague: L'Office de Statistique. 1931. Pp. 367. 50 Kč.)

*Condition of international trade.* Economic Committee of the League of Nations. Continuation of Note E.780. (Geneva: League of Nations. 1932. Pp. 27, mimeographed.)

*Economic Committee of the League of Nations: report to the Council of the*

*work of the thirty-eighth session, held at Geneva from June 2 to 4, 1932.* (Geneva: League of Nations. 1932. Pp. 14.)

*Memorandum on trade and balances of payments, 1930.* Vol. I. *Review of world trade, 1930.* Vol. II. *Balances of payments, 1930, including an analysis of capital movements in 1931.* Vol. III. *International trade statistics, 1930, including provisional summary figures for 1931.* (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 68; 183; 369. 60c.; \$1.50; \$2.50.)

*New Zealand: statistical report on trade and shipping, 1931. Part 1.* (Wellington: Census and Statistics Office. 1932. Pp. 337. £1.)

### Accounting, Business Methods, Investments and the Exchanges

*Price Cutting and Price Maintenance: A Study in Economics.* By EDWIN R. A. SELIGMAN and ROBERT A. LOVE. (New York: Harper. 1932. Pp. xiv, 539. \$6.00.)

In his preface, Professor Seligman explains that the work was initiated at the request of a committee of the New York Board of Trade and Transportation. The committee, we are assured, was "in considerable disagreement as to the possible economic justification of price maintenance." Professor Seligman of course insisted on accepting the retainer only on the condition of complete freedom in conducting the study and in publishing his conclusions. In addition to the principal co-author, Professor Love, 17 assistants are named as entitled to credit for various sections.

The initial approach to the highly controversial subject of price maintenance is a balanced one: exaggerated claims on both sides are discounted and inconsistencies are pointed out. The tone of moderation, however, does not prevent the formulation of definite conclusions and recommendations. Price maintenance is endorsed and a procedure is advised which is designed to overcome existing legal difficulties. It is made clear that the authors regard the Federal Trade Commission's opposition to price maintenance as based upon an inadequate examination of pertinent economic data.

This "study in economics" seems to the reviewer valuable chiefly as a source of information concerning the probable best means of circumventing the legal scruples of judges rather than as a convincing demonstration of the economic desirability of price maintenance. The reader is early informed that the motivating influence back of efforts at price maintenance derives from the conflicts of opposing business interests, and not from any special desire to protect consumers. This is to be expected; and one might then be prepared for a close analysis centering on the consequences of price maintenance for the consuming public. Instead, in a somewhat curious chapter entitled "The interests of con-

sumers," the reasoning is adduced that the consumer has no interest at all in the subject—or rather, that the direct gains and losses for the consumer, resulting from the type of price maintenance advocated, will somehow cancel out. Evidently not quite satisfied with leaving the issue there, it is contended that the benefits to producers accruing through price maintenance may be expected indirectly and ultimately to even-tuate in consumer gains. These gains are conceived of as mainly taking the form of improvements in distribution which will enable better "service" to the consumer. But there is no detailed explanation of just how distribution is to be improved or whether the consumer is anxious to pay, through retail price maintenance, for the added "service."

The attempt is made to demonstrate that the kind of price maintenance advised will not establish a "rigid" price structure and that higher average prices will not "necessarily" result. Yet, in this as in other significant instances, it appears that, in spite of a neat balancing of pros and cons, an opposite conclusion might have been as logically reached. It must be remarked here that the body of the book does not rely in any special degree on the factual material in the able appendices of 165 pages, and that the economic analysis is relatively free from concrete reference. Throughout the analysis there is the familiar basic assumption of the existence of free competition together with the customary corollary that competition is the ultimately beneficent corrective for economic ills. To prepare against questions that might be raised about price maintenance as a possible form of monopoly, frequent reference is made to the "evils" of price cutting. Moreover, price maintenance appears to be looked upon as a means of restoring competition to a higher plane. And, anyhow, "the existing anti-trust laws are quite adequate to deal with the problem" (p. 275)! In this connection it is well to state in the authors' words "the real case" for price maintenance: "that case rests . . . on permitting a manufacturer to take some steps for preventing the use of his products by the retailer for the purpose of encouraging the sale of other products" (p. 252).

One may or may not be convinced (p. 274) by the replacing of "the consumers" as embodying the primary social interest with "the community at large" (which includes producers, *i.e.*, manufacturers and distributors) or by the reasoning that "we are first of all producers and only secondarily consumers." But in any event, question is likely to arise why, in regard to the admitted conflicts of interest between various classes of producers, certain of these interested groups so exclusively embody the interests of "the community at large." This is not clearly explained; in fact, even on the matter of exactly what business groups most keenly desire price maintenance there seems (possibly due to the number of collaborators) to be some confusion. It is confi-

dently stated (p. 198) that "the real incentive to price maintenance comes not from the producer, but from the distributor." But we are later informed (p. 272) that one group of manufacturers has been "behind most of the legislation that has been sought" and that to a more moderate and much larger group of manufacturers ". . . resale-price maintenance would undoubtedly be of advantage."

Irrespective of the source from which the greatest urge for price maintenance originates, it appears that the chief opposition arises from a minority of manufacturers and from the chain stores—leaving out of account opposition from the Federal Trade Commission which harbors fallacious notions about the need to protect the "secondary" consumer. The majority of manufacturers and the mass of independent retailers (conceded by the authors to be too numerous) are therefore fighting the battle of the "community at large," presumably including the consumers. The principal villains (undoubtedly the chain stores) are those "retailers who think that their interests will be jeopardized, but whose success is being achieved at the cost of other more fair-minded competitors" (p. 276). Little attention is devoted to the greater efficiency of the chains or to the discounts which they chiefly enjoy from manufacturers, including the righteous ones who favor price maintenance. Those familiar with studies of chain-store prices will not be convinced by the contention in this book that price maintenance is legitimate because the cutting of prices is assumed to be largely confined to nationally advertised brands which are used as "leaders."

The authors correctly point out that they are dealing with only one relatively small segment of the price structure. It would none the less have been in order to explain fully that a wide range of prices, *e.g.*, agricultural prices, is not subject to even the "moderate" measure of price maintenance which they advocate. But such an explanation might make less plausible the endorsement and promulgation of a plan to maintain prices on branded and trade-marked goods. The problem can hardly be disposed of by disclaiming any intention to sponsor a "rigid" price system.

LYLE W. COOPER

*Marquette University*

*Analyzing Our Industries.* By CECIL E. FRASER and GEORGES F. DORIOT.  
(New York: McGraw-Hill. 1932. Pp. x, 458. \$5.00.)

This book was written for the benefit of business men and investors, but it is also of value to students of economic and business history. The period covered, however, is at most 1920-31 but more often only 1929-31.

Fifteen industries have been chosen for special consideration: automobiles, motor trucks and buses, rubber, cotton, woollens and worsteds, avia-



tion, machine tools, copper, iron and steel, cement, paper, farm equipment, bituminous coal, anthracite coal, and petroleum. Thus it is apparent that emphasis is put upon the automotive and metallic industries and upon power. The omission of the electrical and chemical industries is notable. The authors have been guided in their choice of industries by the recent experience of investors in gains and losses.

Introductory chapters are on "The importance of industrial trends to the investor and business executive" and "Analyzing an industry." The final chapter deals with "The future of our industries." After we have read this book and noted the many pitfalls that the researcher is likely to fall into, we are somewhat disconcerted by the statement (p. 15) that "the vocation of analyzing industries has become both popular and fashionable."

In their analysis of an industry, the authors have in mind the invention of mechanical appliances, the marketing of the product, the form of organization of the leading firms, and the prospects that the future has in store. The authors have an abiding faith in new invention and new application. They indicate that the cost of both production and distribution must be lowered in many cases. They rightly stress the importance of a nice adjustment of a firm to *normal* conditions; while the tendency in America has been to build plants that can be operated profitably only at or near capacity production, the future will see a good deal more trimming of the sails to the milder breezes.

Management, both industrial and financial, comes in for most criticism. For instance, it is stated that "the real problems of industry are more likely to be solved in the future by liquidation of incompetent management rather than by the liquidation of labor" (p. 446). One important cause of over-expansion in industry is set down as the banker's desire for profits. Moreover, "the banker is not disturbed by the fact that he may have only a slight acquaintance with the industry" that he is merging (p. 443). To avoid responsibility, the banker will merge a weak company with a strong one, even though the resulting concern is essentially febrile or even shaky. That there is an imperative need for greater intelligence in investment banking will be widely accepted.

If this book is carefully studied, the investment banker will be in a better position to meet the next period of inflation for which, the reviewer believes, Americans are just waiting. If investment bankers, including the dealers in securities and also investment trusts, do not develop a safer leadership than they had attained in 1929, they will have only themselves to blame if and when they are regulated severely or legislated out of existence.

This book is full of facts, some obtained from obvious sources, such as trade journals, and others from intimate personal contacts. Experi-

ence lies behind the book and critical judgment peers through every page. We cannot help wishing that such a book as this could be put into a somewhat more appealing literary form: the authors have aimed at a clear, unvarnished story, so far as this could be told amid charts and statistical tables. What a heap of work they have saved the researcher and how far onward they have carried the reader to a sound business judgment! All in all, the book is a rare combination of knowledge and ability in the fields of private finance, technological science, and industrial management.

N. S. B. GRAS

Harvard University

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- BABSON, R. W. *Fighting business depressions: money-making methods for these times.* (New York: Harper. 1932. Pp. x, 249. \$3.)
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- BIRD, F. L. *The management of small municipal lighting plants.* Pub. no. 28. (New York: Municipal Admin. Serv., 309 E. 34th St. 1932. Pp. 145. \$1.)
- BLAISDELL, T. C., JR. *The Federal Trade Commission: an experiment in the control of business.* (New York: Columbia Univ. Press. 1932. Pp. viii, 323. \$3.)
- BRISCOE, N. A., and others. *Store salesmanship.* (New York: Prentice-Hall. 1932. Pp. 413. \$2.)
- BURRELL, O. K. *The behavior of bond prices in major business cycles.* Stud. in bus. no. 13. (Eugene, Ore.: Univ. of Oregon Press. 1932. Pp. 64.)
- CLARK, F. E. *Principles of marketing.* Rev. ed. (New York: Macmillan. 1932. Pp. xv, 657. \$3.75.)
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- COYLE, D. C. *The irrepressible conflict, business vs. finance.* (New York: Author, 101 Park Ave. 1932. Pp. 44. 60c.)
- CROWTHER, S., and others. *A basis for stability.* (Boston: Little Brown. 1932. Pp. ix, 360. \$3.)  
A collection of interviews by Mr. Crowther with 21 leaders of industry in different lines of business.
- CURTIS, C. R. *Mechanized accountancy: being a review of the latest methods of mechanical book-keeping together with a survey of the machines used.* (Philadelphia: Lippincott. 1932. Pp. 149. \$6.)
- DURST, W. N. and LUBIN, A. C. *Analysis and handbook of investment trusts.* (New York: Rand McNally. 1932. Pp. xiv, 430.)
- ELSWORTH, R. H. *Statistics of farmers' selling and buying associations, United States, 1863-1931.* Bull. no. 9. (Washington: Federal Farm Board. 1932. Pp. 91. 10 cents.)
- FINNEY, H. A. *Introduction to principles of accounting.* (New York: Prentice-Hall. 1932. Pp. xv, 649. \$5.)
- FISHER, E. M. and SMITH, R. F. *Land subdividing and the rate of utilization.* Michigan bus. stud. vol. iv, no. 5. (Ann Arbor: Univ. of Michigan. 1932. Pp. 80.)

- FLANDERS, R. E. *The management point of view on economic planning*. Gen. manag. ser. 118. (New York: American Manag. Assoc. 1932. Pp. 8. 75c.)
- FOELSKE, H. E. *Why are your losses on bonds so heavy and so many bond issues defaulted? The rational remedy*. (Milwaukee: Caspar, Krueger, Dory Co. 1932. Pp. 54. 35c.)
- FREY, A. B. *Cases on American business law*. (New York: Macmillan. 1932. Pp. xxvi, 279. \$1.90.)

By the author of *American Business Law*, published in 1920. The chapters in this case-book follow as far as practicable the arrangement in the previous text. The volume is "prepared especially for those who have had no previous training in law."

- GARDNER, E. H. *Effective collection methods*. Rev. ed. of *New collection methods*, by F. A. FALL. (New York: Ronald. 1932. Pp. 487. \$4.50.)
- GREER, H. C., editor. *Packaginghouse accounting*. (Chicago: Univ. of Chicago Press. \$4.)
- HAAN, H. *American planning in the words of its promoters: a bird's-eye survey expressed in quotations collected*. (Philadelphia: American Acad. of Pol. and Soc. Science. 1932. Pp. viii, 51.)
- HEMINGWAY, W. H. *Basic business barometers, their meaning and use: a handbook for the offices of manufacturer and retailer, banker and credit-manager, statistician, accountant and investor*. (Washington: Hemingway Institute. 1932. Pp. 209.)
- HOFFMANN, A. *Wirtschaftslehre der kaufmannischen Unternehmung (Betriebswirtschaftslehre)*. (Leipzig: Hans Buske. 1932. Pp. xvi, 812. RM. 16.50.)
- JAMES, A., editor. *Careers in advertising and the job behind them*. (New York: Macmillan. 1932. Pp. xxiv, 677. \$5.)
- JAVITS, B. A. *Business and the public interest: trade associations, the anti-trust laws and industrial planning*. (New York: Macmillan. 1932. Pp. xix, 304.)
- JORDAN, J. P. *The scrapping of excess plant capacity in industrial readjustment*. Finan. manag. ser. 39. (New York: American Manag. Assoc. 1932. Pp. 12. 75c.)
- KIRK, J. G., and others. *Introduction to business*. (Philadelphia: Winston. 1932. Pp. 486. \$1.40.)
- MARGESON, P. *Adapting planning to rapid changes*. Gen. manag. ser. 117. (New York: American Manag. Assoc. 1932. Pp. 8. 75c.)
- MENGARINI, P. *I caratteri economici della speculazione*. (Rome: Lib. Internaz. Modernissima. 1932. Pp. 115. L. 12.50.)

Professor Mengarini of the University of Trieste in this volume deals very keenly with the concept of speculation, through a critical review of the definitions of speculation brought up by doctrine and by public opinion. He rejects the principles of the highness of risk; of the type of surplus accruing by which speculation brings a profit and investment an interest. He rejects also the criterion of the propriety of the capital employed in the operation: usually speculation is brought up with others' means but sometimes by its own funds. Inadequate is the criterion of maturity: usually speculation is a time bargain but sometimes operations for cash also are speculative.

Professor Mengarini finds the discrimination between speculation and investment in the intention of the dealer and not in technical or legal

character of the operations. A speculator is a dealer who buys securities or commodities for resale and an investor a dealer who buys securities to keep and to enjoy the income.

The author then draws the concept of the "pure undertaker" not as the organizer of the undertaking, or the combiner of the productive services, but only as the subject of the risks in the production and marketing of the products. And he compares the speculator to an operator who assumes the risks of the oscillations of prices. The speculator is an insurer against price risks, and such an insurance has its own characters and technical modalities.

RICCARDO BACHI

- MILLER, S. I. *Credit and financial organization under stress*. Finan. manag. ser. 41. (New York: American Manag. Assoc. 1932. Pp. 8. 75c.)
- PARKER, J. L. *Unmasking Wall Street*. (Boston: Stratford. 1932. Pp. 223. \$2.50.)
- REICH, O. D. *Maintaining a flexible organization for changing conditions*. Gen. manag. ser. 115. (New York: American Manag. Assoc. 1932. Pp. 8. 75c.)
- RHEA, R. *The Dow theory*. (New York: Barron's Nat. Finan. Weekly. 1932. Pp. 252. \$3.50.)
- RIETZ, H. L., CRATHORNE, A. R. and RIETZ, J. C. *Mathematics of finance*. Rev. ed., Am. mathematical ser. (New York: Holt. 1932. Pp. xv, 346. \$3.)
- ROBBINS, E. C. and FOLTS, F. E. *Industrial management: a case book*. Harvard problem book ser. (New York: McGraw-Hill. 1932. Pp. 757. \$5.)
- SCRIMSHAW, S. *Apprenticeship: principles, relationships, procedures*. (New York: McGraw-Hill. 1932. Pp. xv, 273. \$2.50.)
- SEEDORF, W. and HESSE, P. *Grundriss der landwirtschaftlichen Marktlehre für Landwirte, Volkswirte, Kaufleute, Verwaltungsbeamte, landwirtschaftliche Schulen und Studierende*. (Berlin: Paul Parey. Pp. 363. RM. 18.40.)
- SHERWOOD, J. F. C. *P. A. problems*. (Cincinnati: Southwestern Pub. Co. 1932. Pp. 108. 80c.)
- SMITH, R. F. *Operating and earning power ratios of electric companies*. Bur. of Bus. Res. bull. no. 42. (Urbana: Univ. of Illinois. 1932. Pp. 54.)
- SUTCH, W. B. *Price fixing in New Zealand*. (New York: Columbia Univ. Press. 1932. Pp. 164. \$3.)
- TIPPER, H. *The new challenge of distribution: the paramount industrial problem*. (New York: Harper. 1932. Pp. xvii, 216. \$3.)

Considering distribution as the movement of the products of industry into use, the modernity of the distribution problem is clearly shown by this author through a comparison of conditions under the handicraft system with conditions during the present depression. The problem is to "distribute the capital, credit, facilities, labor, product and purchasing power, to the end that all these elements in the process shall insure the planning, production and distribution of material values with the least waste, the greatest degree of equity, and the closest equivalence of a progressively increasing supply and purchasing capacity."

The variables in our present system, in the author's judgment, are the time factor in production, the fluidity in human demand, and the business cycle. These three cause speculation but are subject to much careful forecasting. The "key" phenomenon of the business cycle is "that inflation can

have but one cause and that this cause, human greed, always manifests itself whenever the opportunity offers, and that its specific manifestation in this case is the suppliers' exploitation of the consumer to the limit of this opportunity."

Upon this moral analysis of depressions, Mr. Tipper builds a comprehensive system of planning to solve this collective problem through co-operation. A super-committee with complete facts at hand could, for example, eliminate through its utterances the peaks and pits of business cycles. The outline, while general, is suggestive and emphasizes the very real need for long-time planning if industry is to solve its present problems. The objective, to avoid speculative inflation, is that "the distribution of capital and credit should bear a definite relation to the growth in industrial activity and the utility of its product relative to purchasing power."

Russian communism is analyzed carefully, indicating that its present problem is that of production such as ours was under the handicraft system. When communism has created a considerable surplus, the real test as to whether it can overcome human greed will occur. Until communism has solved both the production and distribution problem, its case is unproven.

Throughout the text which is aimed, apparently, at business men, the author keeps hammering at collective action and long-time planning. These are worthy objectives, and it is clearly shown that competition has destructive aspects, that industries kept alive by special privilege such as a protective tariff are harmful, that the desire of nations to be self-sufficient is a major cause of the present world depression, and that the "fundamental capital of industry, the human capital," must be conserved. The presentation is well organized, yet philosophical to an extent that might deter the average business man from entirely accepting the more constructive of the proposals presented.

ALBERT HARING

WHITNEY, R. *The New York Stock Exchange. Address delivered before the Industrial Club of St. Louis and the Chamber of Commerce of St. Louis, September 27, 1932.* (New York: N.Y. Stock Exchange. 1932. Pp. 20.)

WHITNEY, R. *Statement made to the Governing Committee and the membership in regard to the investigation of stock exchange practices by the Banking and Currency Committee of the United States Senate.* (New York: N.Y. Stock Exchange. 1932. Pp. 32.)

WILGUS, H. L. F. and HAMILTON, B. *Michigan general corporation act, with comments, annotations and forms, also fees and franchise tax law, blue sky law, uniform stock transfer act annotated.* (Chicago: Callaghan. 1932. Pp. xxx, 710.)

*Accountants' index. A bibliography of accounting literature, January, 1928—December, 1931 (inclusive).* 3rd suppl. (New York: American Institute of Accountants. 1932. Pp. 635.)

*The American Association of Advertising Agencies: its aims, accomplishments and organization.* (New York: Currier Press. 1932. Pp. 63.)

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*The Dow, Jones averages, with an explanation of the Dow theory; the Barron's averages.* 5th ed. (New York: Barron's. 1932. Pp. 136.)



- Economic and business research in American colleges and universities.* (New York: Business Research Council. 1932. Pp. 84.)
- A general discussion of some phases of the present real estate situation.* (New York: N.Y. State Society of Certified Public Accountants. 1932. Pp. 35. 75c.)
- Harvard business reports.* Vol. XI. *Cases on coöperative advertising.* (New York: McGraw-Hill. 1932. Pp. 352. \$5.)
- Job analysis: a classified and annotated bibliography.* Suppl. library bull. (New York: Industrial Relations Counselors. 1932. Pp. 59.)
- New industrial development: report of the committee of the Economic Advisory Council.* (London: H. M. Stationery Office. 1932. Pp. 29. 6d.)
- New York Curb Exchange history: the new edifice, organization, listed and unlisted requirements, execution of an order. Summary of report of committee on stock exchange investigation of the National Association of Securities Commissioners on the New York Curb Exchange.* (New York: Curb Exchange Committee on Publicity. 1931. Pp. 68.)
- World social economic planning: material contributed to the World Social Economic Congress, Amsterdam, August, 1931.* (New York: Internat. Industrial Relations Inst. 1932. Pp. lxiii, 585; 587-935.)

### Capital and Capitalistic Organization

- Business and the Public Interest: Trade Associations, the Anti-Trust Laws and Industrial Planning.* By BENJAMIN A. JAVITS. (New York: Macmillan. 1932. Pp. xix, 304. \$2.50.)

A racket has been defined as a means of livelihood through furnishing protection to interests for which the law affords no security, or at most a deficient security. The definition, like most definitions, is not entirely satisfactory. It omits, for example, any reference to the circumstance that racketeering appears to flourish only in the protection of interests which, while lacking legal sanction, have nevertheless, the sanction, or at least tacit tolerance, of public opinion. In addition, of course, there is the insistence, usually fairly vehement, of the immediate victims of the racketeering, upon their legally disregarded "rights." Furthermore, the definition might be criticized for over-emphasis of the mercenary aspect of the vocation. Doubtless this is of importance, but the circumstance that the modern industrial way of life with its mechanistic routine tends to stifle adventure and frustrate the pursuit of glory lends special attraction to a vocation patterned on Robin Hood, quite regardless of its material rewards.

It is one of the unfortunate features of the development of racketeering that in the nature of the case, the public has not been kept fully informed of its progress. It is a matter of common knowledge of course, that, whatever and whenever may have been its origins, the profession has prospered most signally since the war. But the extension of its field of operations into one sphere after another has not been heralded

by an adroit use of "publicity," such as has commonly attended the growth of other "new industries." As a consequence, the general public has been deprived of its due complement of objects of hero-worship; and on this score, at the very least, it undoubtedly has a grievance against those who are "getting on in the world" by means of rackets.

In this respect, if in no other, Mr. Javits has rendered a great service to his contemporaries; indeed it may very well be that he has put posterity, also, under homage. He has described, we shall not say exposed, in the plainest possible fashion the anti-trust lawyers' racket. He succeeds admirably in revealing the *modus operandi* of racketeering not only in this special field, with which he is peculiarly acquainted, but also, be it added, in general. The essential steps of the procedure would appear to be these: (1) to pander to the prospective victims, emphasizing the service-to-humanity of their labors, the purity of their motives, the nobility of their aspirations, and the meanness of their rewards, (2) to cultivate and intensify the mystification and confusion of the intended victims regarding their existing legal disabilities, and finally (3) to indicate very clearly and forcibly the way of salvation—through the racketeer's unique, copper-riveted, prosecution-proof, fully patented system of "protection." If the procedure thus outlined fails to "get results," we understand the racketeers in some special branches of the profession resort to a fourth step: warning of the dire results almost certain to follow from rejection of the proposed plan of protection. And, in some instances, it is rumored, the procedure is carried even further. But as a rule, it appears, the first three steps suffice, and may therefore be regarded as alone essential.

These essential steps of the "recognized" procedure may be illustrated by brief excerpts from Mr. Javits' admirable exposition. The first step:

. . . "The business man has entered a new era. He has become indeed 'a new creature.' He is realizing that he is on the same side of the battle line with the public. Both together are fighting the forces of a hostile nature, and both together are moving forward to a better and more abundant life for the whole human family. . . . The business man has become the master of industry and the servant of the people. . . . This is surely a new note in business. Seller and buyer at last on the same side of an economic problem" (pp. 4, 5, 7). However, . . . "business today is not making profits. . . . Business losses are enormous. . . . The truth of these statements is appalling. . . . The public interest is violated when business does not make profits . . . business must have profits in order to serve the people. . . . Profits give us our wealth (= source!) . . . something is wrong" (pp. 21, 24, 31).

The second step: "From this study of the cases . . . I do not hesi-

tate to state . . . that the Supreme Court has decided that, those . . . combinations which are not in the public interest come within the condemnation of the Sherman act. The Supreme Court has refused to condemn those . . . combinations which proved to its satisfaction that their existence . . . was to some extent, even if not entirely, in the public interest" (pp. 107, 108). "The term 'public interest' cannot be limited by definition; it is a phrase of highly variable meaning. . . . The particular situation in the cement industry demanded the dissemination of . . . prices on future work—and it was held that under the peculiar circumstances existing in the cement industry it was legal for the trade association to collect and disseminate such information. . . . This decision came immediately after the decision in the Maple Flooring case, where the court specifically forbade the dissemination of information regarding future price" (pp. 114, 116). "Where . . . codes of ethics have been conceived and drawn in such a manner that adherence to their provisions constitutes a service to society and to civilization . . . the adoption of such a code of ethics would necessarily be in the public interest. The courts have disapproved of codes of ethics only when they were really not that, but were used as a disguise for . . . 'gentlemen's' agreements that violated the law. But if the code of ethics really is what it purports to be, there is no question but that it is in the public interest, and as such will not be disapproved by the courts" (pp. 113, 114). "It is my view that selling below cost . . . violates . . . Section 5 of the Federal Trade Commission act" (p. 116). On the following page is quoted the opinion of the court in the *Sears, Roebuck* case, "We find in the statute no intent on the part of Congress to restrain an owner of property from selling it at any price that is acceptable to him." The only comment by the author on this ruling is: "When a man commits suicide he violates the law but there is no way of punishing him. But when a man is out loose endangering the lives of others he must be put in his place. So with selling below cost." Query: Is this an attempt at reconciliation?

The third step: "One of the purposes of this volume is to present a plan of trade association organization to meet the need of the times. . . . Herein it is attempted to point out only the principles of the plan. The details will vary in practically every actual case. For instance, . . . in another case the author has worked out a general sales agreement to take over all sales agencies in order to get some measure of control over the industry. This agreement . . . in the author's opinion . . . is not in restraint of trade. . . . It is claimed that business men entering an association formed under this plan will not only find it satisfactory from a business standpoint, but will also find that it satisfies the legal requirements. . . . An association or-

ganized under the new plan . . . should be able to assist its members in making money, and, at the same time, show that its existence is in the public interest. Some of the provisions of this plan . . . are not to be found elsewhere. . . . When a sufficient number of industries . . . begin to operate under a plan such as the one outlined here, there will be very little chance for the recurrence of depressions. . . ." (pp. 52, 54, 56). . . . "It may be easier to visualize what this would mean if I say that common stocks like U. S. Steel and General Electric might be worth anywhere from 20 to 50 times what they are now selling for. . . . It is my hope that the plan discussed in this book may lay a firm foundation for the undertaking" (pp. 189, 190). Happy daze!

MYRON W. WATKINS

*New York University*

*Men, Money and Mergers.* By GEORGE L. HOXIE. (New York: Macmillan. 1932. Pp. vii, 231. \$2.)

This book sets for itself the task of laying down fundamental principles with regard to the development of leadership, progress, and economic organization. While it seeks universal truth, it deals particularly with power companies; it endeavors to show that they are the product of basic forces, and that they are best suited to serve the public interest if only they are permitted to carry on without undue interference.

The book deals with generalities and unverifiable assumptions. It lays down sweeping historical statements and sociological propositions which it does not endeavor to prove even if it could. Its nineteen chapters are primarily intended to show that practically everything is fine in this most excellent economic world, and that we are particularly blessed in the electric business. In the large the author looks upon the power companies as the flower of individualism in its relation to men, money, and mergers.

The scope of the book is indicated by the principal chapter titles: "Distribution of machine-made wealth"; "Nature's mergers"; "Industry and the nation"; "What is the goal?" "What of opportunity?" "Management"; "Building the new"; "Getting rid of the old"; "Electric power"; "Propaganda for government ownership"; "Holding companies"; "Public regulation"; "Profits"; "Allocation of capital to new projects"; "Propaganda against government ownership"; "Economic unrest."

Mr. Hoxie regards the prevailing capitalistic organization, especially in the power field, in simple individualistic terms. He ignores the reality that practically all individuals are economically submerged in a great variety of collective groupings. Consider, for example, the individuality

that can be exercised by a local utility manager in any community served by a link in a holding-company chain. He is lucky if he has the freedom of private initiative to hire or fire a stenographer. For every decision of measurable importance, he depends upon headquarters in New York or Chicago, where chief concern is likely to be centered in the stock market and in promotional schemes rather than in progressive operating policies for the local communities.

Mr. Hoxie sets a lofty goal of developing character, keeping alive opportunity for individual initiative, and selecting leadership for the common good, all through appeal to private greed. With his objective as presented, there can be no quarrel, but whether or not the purpose is realized, the author leaves us with mere declaration, without supporting facts, and with great unbelief. He sees the fundamental economic welfare as flowing through a succession of bigger and better mergers, and, therefore, would have the minimum of limitations upon personal initiative to lead in this important development. But, it is not at all clear that there is public advantage in a general merger of all power properties throughout the country. Furthermore, the actual mergers have been haphazard as to territory covered. They have overlapped and have not consolidated the properties within coördinated economic areas. There is reason, moreover, to believe that generation and transmission of power might well be kept distinct from distribution, and that the latter function might best be performed by local organization and, at least in some instances, by municipalities. Nowhere has the author made concrete comparison of costs, rates and results of operation under different types of organization.

Mr. Hoxie pictures for us a country-wide organization, lavishly financed, for the establishment of universal public ownership and operation applied to all industries. He presents the companies as making merely a feeble effort to counteract the vast socialist propaganda. This view of the matter is, of course, interesting, as is the information that the public ownership people have been liberally financed. Perhaps we shall now think differently of Norman Thomas, Carl Thompson, Raushenbush, Laidler, Judson King, and others with whom we have not always agreed but by whose personal sacrifices we have been greatly impressed. The author explains why there has been the assault upon the so-called power trust. First, "the leaders who whip up public sentiment through propaganda aim at governmental ownership of all important business enterprises." Second, "the followers, unsuspecting of this major aim, feel that certain leaders in electric development in America have made and are making too much money."

Most of the critics would hardly class themselves in either group. They do think, of course, that certain individuals have made far too



much money out of an industry that is vested with special public interest. Beyond this, however, the so-called leaders have performed a terrible job from the public standpoint. They have brought together crazy quilts of consolidations. They have grossly over-capitalized the properties, and have piled up fixed charges which already are causing ruin to the systems and to innocent investors. They have preserved excessive rates for domestic, commercial, and municipal uses, and have prevented the development of large consumption for these purposes. They have padded the costs of local operation and capital account. They have helped to undermine the systems of state regulation. They have attempted to invade the legislatures, local governments, commissions, and courts in their efforts to be left alone. And we are asked to believe that somehow through the providence of economic individualism, private plunder is transformed into public good.

Of course, there has been enormous progress in the power industry, but it has come mostly from the efforts of individuals who have not shared in large profits. It is the lawyers, promoters and financiers who have dealt with money and mergers, who are mainly responsible for the evils that pervade the industry. One may not be prepared to favor general public ownership and operation, but it seems plain that radical changes are in order if private ownership and operation are to survive.

JOHN BAUER

*New York City*

*The Fair Rate of Return in Public Utility Regulation.* By NELSON L. SMITH. (Boston: Houghton Mifflin. 1932. Pp. xiii, 334. \$3.00.)

This book, which is one of the Hart, Schaffner and Marx prize essays, having been awarded second prize in Class A in 1928, has all the earmarks of a scholarly work. The footnotes are very full, with many references to court and commission decisions; there is a statistical appendix, with many pages of tables, representing much labor; and there is a bibliography and an index.

Despite the great industry of the author, however, the book proved a disappointment to the reviewer. This was due, in the first place, to the fact that the treatment is far from lucid; it was necessary to read many sentences two or more times in order to determine the thought which the author intended to convey. It may safely be predicted, therefore, that the book will be read only by a comparatively few scholars deeply interested in the subject matter; those who are compelled to deal with rates of return in a practical way, such as members of commission staffs and the like, will be disposed to set the book aside, to be read (or examined) at some future date.

The disappointment was due, in the second place, to the fact that a

number of important problems, closely related to the subject of the fair rate of return, are almost ignored, because they do not seem to require discussion in view of the author's fundamental thesis, which is that "the primary objective of regulation is a simulation of the results of full and free competition." This thesis naturally causes the author to favor numerous policies that we regard as unsound. He favors the use of "a reproduction cost rate base as the most direct means of according recognition to present values and opportunity costs," though he agrees that the possibility of inflation and the necessity of revaluation are real difficulties. And since the physical valuation is to be based on reproduction cost, the selection of the fair rate of return becomes essentially a matter of discovering the going rate of yield on capital in competitive uses; the fair rate of return, he says, should "be computed for public utilities in the same fashion as in the rest of the field of business enterprise." This point of view ignores the fact that regulation reduces the risks of the enterprise, and thus makes the return realized under competitive conditions, where the risks are greater, quite unsuited to serve as the standard by which the fair rate of return for public utilities is to be measured.

Though we disagree with the author's fundamental thesis and with some of his conclusions, we agree heartily with his concluding observation that "we cannot afford glibly to advocate the rapid extension of public regulation into more and more fields of economic activity. Free competition, where possible, constitutes a much simpler and safer method of control. The maintenance and improvement of competition, rather than its supersession [sic] by authoritative control, should be provided for unless and until it is convincingly shown that the industry in question is one in which effective regulation is feasible and one to which competition is naturally unsuited."

ELIOT JONES

*Stanford University*

NEW BOOKS

- BALLANTINE, H. W. *California corporation laws*. (Los Angeles: Parker, Stone & Baird. 1932. Pp. xxvii, 989.)
- BARRADAS, G. *Scientific capitalism: why and how*. (San Francisco: Hooper Pub. Co. 1932. Pp. 356. \$3.)
- BERLE, A. A., JR. and MEANS, G. C. *The modern corporation and private property*. (Chicago: Commerce Clearing House. 1932. Pp. 400. \$4.50.)
- BURKE, H. G. *The public service commission of Maryland*. (Baltimore: Johns Hopkins Press. 1932. Pp. xi, 177. \$2.)

Prepared as a dissertation in the political science department of Johns Hopkins University, primarily to illustrate the workings of law in its practical manifestations. It does "not enter the field of controversial writings and theories concerning public utilities."

DEWING, A. S. *Industrial and financial mergers in boom and depression*.

Financial manag. ser. 42. (New York: American Manag. Assoc. 1932. Pp. 8. 75c.)

## Labor and Labor Organizations

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- ANDREWS, J. B. *Labor problems and labor legislation*. 4th ed., completely rev. (New York: Am. Assoc. for Labor Legis. 1932. Pp. 135.)
- ARNDT, P. *Die wirtschaftliche und soziale Bedeutung der Heimarbeit*. 2nd enl. ed. (Jena: Fischer. 1932. Pp. viii, 62. RM. 3.)
- BABSON, R. W. *Washington and the depression, including the career of W. N. Doak*. (New York: Harper. 1932. Pp. xi, 296. \$3.)
- CAHILL, M. C. *Shorter hours: a study of the movement since the Civil War*. (New York: Columbia Univ. Press. 1932. Pp. 300. \$4.50.)
- DREISER, T., and others. *Harlan miners speak. Report on terrorism in the Kentucky coal fields, prepared by members of the National Committee for the Defense of Political Prisoners*. (New York: Harcourt Brace. 1932. Pp. xii, 348.)
- HADLEY, C. D. *Wage payment plans used by Oregon manufacturers*. Stud. in bus. no. 12. (Eugene: Univ. of Oregon Press. 1932. Pp. 32.)
- HANSEN, A. H., BJORNARAA, D. and SOGGE, T. M. *The decline of employment in the 1930-1931 depression in St. Paul, Minneapolis and Duluth*. Employment Stabilization Res. Inst., vol. i, no. 5. (Minneapolis: Univ. of Minnesota Press. 1932. Pp. 34.)
- HOGG, M. H. *The incidence of work shortage. Report of a survey by sample of families made in New Haven, Connecticut, in May-June, 1931*. (New York: Russell Sage Found. 1932. Pp. 136. \$2.50.)
- A local and intensive investigation embracing 2,097 households. On the basis of the sample, it is estimated that 3,400 families had all their earners idle, and that in addition 17,850 families had some work shortage. The analysis covers sex, marital status, nativity, age, occupation, and reasons for idleness. The study is of special interest to students of statistical method as an illustration of the sampling process.
- LENNOX, J. S. *The cause and cure of unemployment*. (Pittsfield, Mass.: Author, 214 Dawes Ave. 1932. Pp. 68. \$1.)
- PALMER, G. L. *Union tactics and economic change: a case study of three Philadelphia textile unions*. (Philadelphia: Univ. of Pennsylvania Press. 1932. Pp. vii, 228. \$2.)

The three unions whose recent history is discussed are the Carpet Workers, the Upholstery Weavers and the Hosiery Workers. In all three cases the union's difficulties had been increased by technological and style changes. Each industry had experienced a period of strong demand with excessive expansion of productive capacity, and the development of low-cost manufacturing centers outside the old established area in Philadelphia. These new centers relied on a labor supply drawn from rural areas where low-wage standards prevailed. They made a strong bid for the lower priced grades of goods which their relatively little skilled operators were fitted to produce. The depression following 1929 caused a shift in demand to these cheaper goods to the disadvantage of the Philadelphia manufacturer and the unionized workers.

The unions' program focused on "job security in the broadest meaning of that term." As described in the case of the hosiery workers, this pro-

gram "involves the maintenance of a high standard of living and a progressively shorter work-day on a national basis. In the shop, job security involves protection against arbitrary discipline or discharge through representation by counsel in hearings on grievances. In the language of the shop, this means, protection of the workers' 'rights' in the mill." Aside from the competition of the outlying centers of production whose newly recruited workers the unions found great difficulty in organizing, the union leaders were confronted by an open-shop campaign backed up by the use of labor spies, "yellow dog" contracts, injunctions and a policy of creating divisions and dissension in the trade-union ranks. Under these conditions the carpet workers pursued their established policy of militancy and "went down fighting." The upholstery weavers, despite their disastrous 'outlaw' strike against the terms of an arbitration award, maintained their organization intact. This demonstration of the ineffective character of their old philosophy led to the adoption of the "tools of economic research in an endeavor to understand fully the problems of the industry."

This fact-finding policy is practised by the hosiery workers also. This comparatively new union is composed "almost entirely of young people, with a small nucleus of leaders who have had considerable experience in the trade." Their experience in an expanding industry with exceptionally high wages followed by abrupt falling off in the demands for labor with excessive competition especially from the low-cost, unorganized centers led to the adoption of a unique union program of "strategic retreat." Successive collective bargains brought wage reductions amounting to 50 per cent of the highest levels. With this retreat went an aggressive campaign for the unionization of unorganized mills culminating in the great strike of 1931. It is perhaps of significance also that this union of young and intelligent members with its forward looking policy has decided "that under the conditions of modern industry, the trade-union movement cannot be effective in reaching its goal without a political wing or independent political action by labor."

The final 90 pages of the volume are filled with appendices. These include some interesting autobiographical material furnished by union members. There are also important documents. Notable among these are: the ill fated Decision of the Board of Arbitration in the Upholstery Wage Dispute in January, 1931; the Report of the Fact-Finding Committee on the Philadelphia Hosiery Strike made in May, 1931; and a National Agreement in the Hosiery Industry. This last deserves attention because of the many matters covered and for its intricate wage scale.

CHARLES E. PERSONS

POLLAK, K. H. *Our labor movement today*. Brookwood labor pamph. no. 4. (Katonah, N.Y.: Brookwood Labor College. 1932. Pp. 112. 35c.)

RAISKY, L. G. *Daniel De Leon: the struggle against opportunism in the American labor movement*. (New York: N.Y. Labor News Co. 1932. Pp. 48. 20c.)

SEYMOUR, J. B. *The Whitley Councils scheme*. (London: P. S. King. 1932. Pp. viii, 253. 12s.)

To the absentee student of British industrial affairs as well as to many Britishers themselves this book is very welcome. Plans of social and economic reform are often heralded with much acclaim when they are first

broached or adopted; but once they have ceased to furnish newspaper copy they are likely to be lost sight of and may quietly pass into "innocuous desuetude." It has been thus with gild socialism; and until Mr. Seymour broke the conspiracy of silence, which even the Ministry of Labor seems to have joined, it threatened to be thus with the Whitley Councils.

The author is so thoroughly convinced of the value of the Whitley plan (the word "scheme" is perhaps not well chosen because of its visionary and sinister implications) that he is loth to admit that it has not come up to all reasonable expectations, considering the difficulties under which it has labored. With a degree of iteration that is pardonable only on the ground of his desire to give the system a new lease of life, he shows that where they have been tried the councils have fostered goodwill, avoided labor disputes, and inspired an attitude of mutual helpfulness and constructive coöperation that has increased productivity and improved working conditions. About two-thirds of the national councils started before or during 1920 are still active and cover about one-fifth of all occupied persons in the country. In several of the largest industries, such as cotton manufacturing, shipbuilding, and coal mining, the field was already largely preëmpted by unionism; and the industrial stagnation of the past decade has hindered any expansion. The mortality has been considerably heavier in private enterprises than in the civil service or in public utilities where previously existing machinery for collective bargaining was inadequate. District councils have been formed in fair numbers; but works councils, which were to have constituted the broad foundation of the plan and to have brought about intimate relationships within the individual plants, have not thrived, never having been much over 1,000 in number and being now probably not much over half that many. Here, also, there has been the indifference or outright hostility of employers who feared too much interference with management, and of unions that, in spite of the fair promises of the Whitley Committee to use union representatives and to insist upon organization on both sides, were self-satisfied or recalled too vividly the undermining tactics of the shop-steward movement during the war. The author fails at this point to note that unionism itself has been on the downward road most of the time since 1920 and that Whitleyism or any other possible plan of collective bargaining could not be expected to be a "howling success."

So impressed, however, is Mr. Seymour with the desirability of the plan that he thinks "there ought to be a law." He looks with an admiration amounting to envy upon the power of the Trade Boards to enforce their decisions throughout the entire industry over which they preside. He finds the great weakness of the Whitley Councils in the ability of unscrupulous employers not in the organization to undercut the terms of the agreement. And if legal enforcement seems a bit harsh and unfeeling, he points out that under the Industrial Councils bill recently introduced into Parliament and approved in substance by both the Liberal Party and the General Council of the Trades Union Congress, the agreements themselves would still be voluntary, and that the power of the government would be called in only upon application to the Minister of Labor for an order. Furthermore, he discovers ample precedents in the compulsory joint councils established by the Railway act of 1921 and in the Agricultural Wages act of 1924.

WARREN B. CATLIN



- Company loans to unemployed workers.* (Princeton: Princeton Univ. Industrial Relations Section. 1932. Pp. 26, lithoprinted.)
- Party organisation.* (London: The Labour Party. 1932. Pp. 62. 7d.)
- A proposal for solving unemployment. Report of the Committee on the General Problem of Unemployment.* (Indianapolis: Indianapolis Employment Bureau. 1932. Pp. 10.)
- Report of the thirteenth National Conference of Labour Women held at the Dome, Brighton, June 14-16, 1932, together with notes of private business conference held on June 14.* (London: The Labour Party. 1932. Pp. 112. 6d.)
- A review of the current literature of industrial relations.* Library bull. no. 10. (New York: Industrial Relations Counselors. 1932. Pp. 37, mimeographed.)
- Salary and wage policy in the depression.* (New York: National Industrial Conference Board. 1932. Pp. viii, 67.)
- Wages of industrial workers in the U.S.S.R.* Memorandum no. 6. (Birmingham, Eng.: Birmingham Bureau of Research on Russian Econ. Conditions. 1932. Pp. 24.)
- Women's work under labour law: a survey of protective legislation.* Stud. and rep. ser. i, no. 2. (Geneva: Internat. Labour Office. Boston: World Peace Foundation. 1932. Pp. 264. \$1.50.)

### Money, Prices, Credit, and Banking

*Principles of Banking and Finance.* By GEORGE W. EDWARDS. (New York: Ronald. 1932. Pp. xiv, 612. \$4.00.)

This volume consists of 26 chapters which fall into five parts, including three chapters of introductory material, 11 on commercial finance, eight on investment finance, three on public finance and one on finance and value. The book is intended to "serve as an introduction to advanced courses for the college student" and is the result of material "gathered and organized over a period of 15 years of teaching finance courses." It is also the partial outgrowth of other treatises written in whole or in part by the author. Hence, one finds evidence of reliance upon Willis and Edwards', *Banking and Business*, Chamberlain and Edwards' *The Principles of Bond Investment*, Edwards' *Foreign Commercial Credits*, *International Trade Finance*, and *Investing in Foreign Securities*.

The scope of the text is so wide that full treatment should not be expected of any one subdivision. Accordingly, each must be supplemented, and to this end the author has provided excellent questions, problems and references with each chapter. But the latter, together with valuable illustrations, useful appendices and index, absorb more than a fifth of the entire volume, leaving the author confronted with the problem of presenting the essentials of finance in the several fields in a relatively limited space. Thus it became impossible to present in a book of this size both the basic factual material and the social appraisal of financial institutions. This is to be regretted; for, while the book affords an excellent out-

line of essentials for a course in general finance such as that from which it grew, it would have been much strengthened by estimates of the extent to which the financial institutions described have stood the test of recent strenuous economic conditions. In any event, the author has much basic factual material which is well organized and clearly presented. Moreover the treatment takes account of recent developments in methods of presenting material made available by research both in economics and accounting. This is a particularly desirable feature of the book and when combined with the better features of older texts goes far to justify the work of the author.

But there are statements throughout the work to which one must take exception. Thus it is said that "central banking as we know it, really began with the founding of the Bank of England in 1694," though there is convincing evidence that the bank was not at first a central bank, and as late as 1877 it had not assumed control of the discount market.<sup>1</sup> Again, (p. 69) it is said that *investment*<sup>2</sup> credit may "take the form of stocks and bonds," a view with which such authorities as Chamberlain and Hay<sup>3</sup> do not agree. The analysis of the commercial bank has distinct merit, but we find the author saying that "government securities are excellent primary reserves," thus disagreeing with Bradford,<sup>4</sup> with Rodkey<sup>5</sup> and confusing his own statement at p. 394 where they are not included, though commercial paper and bank acceptances are. Again (p. 129), it is said that "surplus acts as a means of providing additional working capital." Doubtless it *may*<sup>2</sup> be so used. The bank statement is described (pp. 127-130) but, unfortunately, not analyzed. But the author performs good service when he brings out the distinction between the liberal and the orthodox views with respect both to acceptances and liquidity. His treatment of bank borrowers' credit is also a source of strength; but several mis-statements mar the chapter on banking systems before the federal reserve. Thus it is said that the successful operation of the first Bank of the United States "was largely due to its able administration by Albert Gallatin, Secretary of the Treasury." The reorganization of the second Bank of the United States is attributed to James<sup>2</sup> Biddle; and we learn that from the expiration of the charter of the second Bank of the United States in 1836 "until the *Civil*<sup>2</sup> War no central bank existed in this country." Moreover, the explanation of the decline of the Safety Fund System does poor justice to the facts.

The volume is unique in this that it combines a treatment of banking along with investment and public finance, an achievement of no other

<sup>1</sup> Feavearyear, *The Pound Sterling*, p. 142.

<sup>2</sup> All italics are mine.

<sup>3</sup> *Investment and Speculation*, p. 8.

<sup>4</sup> *Banking*, p. 175.

<sup>5</sup> *The Banking Process*, p. 65.

text, though Moulton's *Financial Organization of Society* "approaches it."

E. A. KINCAID

*University of Virginia*

*Savings and Employee Savings Plans in Philadelphia.* By WILLIAM J. CARSON. (Philadelphia: Univ. of Pennsylvania Press. 1932. Pp. xi, 112. \$1.50.)

This is a descriptive, and in some respects an analytical, study of savings in the City of Philadelphia. Savings are viewed from the point of view of the individual savers and of the institutions for savings rather than from the point of view of the community as a whole. This limitation, however, the author definitely and quite properly sets forth at the very beginning of the book.

The subject matter is divided into three main parts; first, a study of the growth of major institutional savings (excluding life insurance) in Philadelphia as compared with similar savings in the country as a whole; second, a description of a number of employee savings plans in use in Philadelphia; and third, an analysis of the effect of business fluctuations on savings bank deposits in the same city.

Building and loan associations are, by far, the most popular institution for savings in Philadelphia (\$885,000,000 due shareholders in 1929) and have been so at least since 1919. Time and savings deposits of commercial banks and trust companies and the deposits of the mutual savings societies come pretty close to a tie for second place (the deposits of each aggregating about \$400,000,000 in 1929-30). The big growth in savings deposits of the commercial banks and trust companies has occurred since 1924, whereas the growth of the mutual savings societies has been more gradual and steadier. There has been a pronounced retardation in the rate of growth of the assets of building and loan associations and of the savings deposits in commercial banks and trust companies since 1925, and in 1931 the mutual savings societies grew most rapidly of all. When the three types of institutions are considered together, it is found that in recent years at least the rate of growth has been less rapid in Philadelphia than in the United States as a whole.

The second part of the book describes in considerable detail 12 typical thrift plans in use by a number of companies (at least 45) in the Philadelphia area. The plans vary greatly and the author has borrowed heavily from other studies. This part of the book is entirely descriptive and much space is usurped by mere bookkeeping details.

In the third part the author attempts to draw conclusions as to effects of business fluctuations on the volume of savings. His observations are limited to deposits and withdrawals of the mutual savings societies, and

in the one case in which his data extend back beyond 1919, they are dependent upon the experience of a single large savings institution. Seasonal fluctuations of business seem to affect deposits more than they affect withdrawals. Except in the summer months receipts usually are increasing when withdrawals are decreasing, and vice versa.

Business depressions, he finds, also tend to affect deposits to a greater degree than they affect withdrawals. The first effect of a depression appears to be a reduction in deposits. The fact that in the present depression deposits have shown an enormous increase is explained away by the plausible, but unproved, assertion that it "reflects to a considerable extent the transfer of funds to these institutions from other channels rather than a substantial increase in savings."

The study is good as far as it goes, but it attempts to cover too much in a brief 108 pages. It is to be regretted especially that the author did not include in the third part of his study statistics relating to dues and withdrawals of building and loan associations, Philadelphia's most important type of savings institution. The reader leaves the book with the feeling that the connection between the second part and the first and third parts of the book is rather tenuous. It probably would have been an improvement had the first and third parts been expanded and published as one study, and the second part enlarged and published as a separate volume.

HOWARD S. PIQUET

*New York University*

*L'Or et Sa Distribution Mondiale.* By ALBERT AFTALION. (Paris: Librairie Dalloz. 1932. Pp. viii, 235. 25 fr.)

This monograph, which represents the début of a new economic series (Collection Scientifique d'Economie), deals with the causes of the disequilibrium in the world distribution of monetary gold since 1920. Contrary to classical doctrine familiar to the readers of Ricardo, Aftalion contends that, once the equilibrium in the world distribution of gold has been upset, automatic forces will not operate immediately to restore it. To support his contention he describes the continued concentration of gold in the United States since 1920 and in France since 1927.

Why, according to Aftalion, has the classical doctrine of the world distribution of gold not worked out in practice? Why with the inflow of gold into the United States and France have the price levels not advanced in those countries? Why have trade balances not turned against the United States and France and produced gold outflows?

Aftalion finds that classical doctrine contains three errors. First, it is based upon the quantity theory of money which he maintains is untenable. Once the world equilibrium has become disturbed, price levels

will not necessarily advance in the countries to which gold has gone and fall in the countries from which it has come. Thus the reversal of trade balances will not occur and produce gold movements which will restore the former equilibrium. Second, although price levels in different countries do get out of line with each other, an equilibrium in international prices need not necessarily be reestablished through a reversal of trade balances and gold movements. Once the prices of raw rubber or copper, for example, have changed in one part of the world, the prices of those same commodities in other world markets may respond immediately through the psychology of traders. Third, he maintains that, although discrepancies in price levels in different countries do arise and persist, gold will not necessarily flow where it has the highest commodity purchasing power.

On the basis of his criticism of classical doctrine, Aftalion builds his own constructive conclusions. He contends that gold, like other international commodities, does seek those parts of the world where it has the highest purchasing power—not necessarily in terms of other commodities, however, but in terms of foreign exchange rates. He shows that changes in foreign exchange rates are the “immediate” factor which produces international gold movements. Dissatisfied with such a superficial explanation, however, he searches for the underlying or “remote” factors which he classifies under four heads: (1) trade balances; (2) capital movements; (3) discount rate differentials among money centers; and (4) psychological influences, such as confidence or lack of confidence in the monetary and banking systems of different countries.

It is impossible in this brief review to do justice to Aftalion's able, and at times brilliant, exposition of the significance of these four factors determining gold movements. It must suffice to say here that of the four factors he places emphasis upon the second and third. The United States and France in which gold has become concentrated have had persistent favorable trade balances. Thus the first factor has tended, according to Aftalion, to increase, not to diminish, the disequilibrium in the world distribution of gold. He insists that the second and third factors have prevented a disequilibrium already great from becoming still greater.

It is the opinion of the reviewer that, in spite of the excellence of treatment, Aftalion, like many others who have presented new points of view, has emphasized his own to such an extent that the elements of truth of the theories which he has tried to overthrow have become dwarfed and obscure in comparison. Ricardo's theory, however naïve it may have been, was an attempt to strike at fundamentals. Ricardo, to be sure, failed to consider frictional influences, such as tariffs, reparations, and war debts, which might have modified, offset, or more than



offset the operation of more fundamental forces. In a world devoid of such frictional influences the reviewer believes he sees how Ricardo's theory might have operated in the manner described. Aftalion, however, has not given Ricardo the benefit of any doubt whatsoever. Aftalion, like Ricardo, has given scarcely any consideration at all to the effects of tariffs, reparations, and war debts upon the world distribution of gold.

In fact the reviewer believes he perceives how capital movements and discount rate differentials may be a mere manifestation of a growing, instead of a diminishing, disequilibrium in the world distribution of gold. For example, the United States and France have had favorable trade balances which have tended to increase gold inflows into those countries. The purchase of securities—both short and long-term—by people in the United States and France may continue to offset to some extent the inflow of gold into those countries until, but not beyond, the time of maturity of the securities purchased. Of course the loans may possibly be renewed. The repayment of the loans, however, will merely be postponed through renewal; and actual payments will be made greater by the amount of the interest until the final day of reckoning arrives. Thus the only way in which a redistribution of the world's stock of monetary gold can ultimately be obtained may be through a reversal of trade balances and gold movements in a manner similar to that described by Ricardo—a possibility to which Aftalion ascribes little, if any, importance.

RAYMOND H. LOUNSBURY

*University of Illinois*

#### NEW BOOKS

BAROU, N. *Coöperative banking*. (London: P. S. King. 1932. Pp. 350. 15s.)

This is a well-done and extremely stimulating study in an important field of finance in which too little work has been done to-date. The author, until recently director of the London branch of the Moscow Narodny Bank (a Russian coöperative banking institution), has had much first-hand contact with these banks in many countries; and his purpose in writing the book, as he says in the preface, was "to share with others who are interested in the coöperative movement the result of experience of coöperative activities over a period of sixteen years." The "result" is a comprehensive survey of coöperative and quasi-coöperative banking and finance in 35 countries (with much attention to labor banks in the United States), and an attempt to lay down principles on which a fruitful development of this kind of finance should rest.

His main conclusions, admirably summed up in the last chapter, are as follows: "The credit requirements of small borrowers (workmen, small farmers, etc.) are in their total volume very large, but are only imperfectly met by the commercial banking systems, in spite of the fact that the savings of these groups are in their aggregate ample to meet the requirements." The difficulty, according to the author, lies in the fact that com-

mercial banks are not adapted to this purpose. On the other hand, coöperative banking "possesses certain characteristics which eliminate the difficulties encountered by commercial banking when applied to small credit."

Coöperative banking has so far made good, but insufficient, progress. The author finds the principal reason for this in organizational defects. He advocates the creation of nationally centralized systems of coöperative banking, through better utilization of existing banks or the formation of new ones. He likewise favors a close coördination of these national systems through the establishment of an international coöperative bank.

The author is firmly convinced that credit is one of the weakest spots in the whole coöperative movement. "The coöperative movement," he says, "cannot further allow itself the luxury of neglecting coöperative credit and coöperative banking, and in the next few years the solution of these problems will serve as the test of the efficiency of coöperative organization."

LEO PASVOLSKY

BAROU, N. *Russian coöperative banking*. (London: P. S. King. 1931. Pp. 82. 3s.)

Published a year earlier than Mr. Barou's more comprehensive work, this deals with coöperative credit under the Soviet régime. It is an important contribution to the all too scant literature on the development and operation of financial institutions in Soviet Russia.

LEO PASVOLSKY

BETTS, E. *Our absurd money system*. (Pasadena: C. Wilcox. 1932. Pp. vi, 178.)

BLOCK, A. *Bausparen in England, Amerika und Deutschland*. (Berlin: Bauwelt-Verlag. 1931. Pp. 493. RM. 21.)

This is by far the most comprehensive treatise on building and loan associations that has yet appeared. It contains a vast mass of source material. The most interesting and informative part of Dr. Block's narrative is that which relates to the movement in Germany.

Until recently the building and loan association idea was practically unknown on the continent of Europe. Germany, like France, had a number of savings banks (Sparkassen) and mortgage credit institutions (Realkreditanstalten) but did not have a combination of the two in the form of the building and loan association. Even today the so-called building and loan associations (Bausparkassen) which have appeared in Germany within the last decade differ radically from their older British and American cousins. They consist of borrowing members only. There are no mere investing members, as such.

Waiting is an important characteristic of the German association. Prospective borrowers are encouraged to pay more than the stipulated monthly dues. The amount paid in times the number of months it has been on deposit determines priority in obtaining loans. The result, says the author, is a contest among the prospective borrowers to see who can outbid the others, no one knowing how much his competitor has paid in to the association. In a very real sense the contributions of the poorer of the rival borrowers are used for the purpose of making cheap loans to the more prosperous. The chance of getting an early loan attracts borrowers who

frequently overlook the actual high price which they will have to pay for their loans.

The appearance and the relatively rapid growth of the Bausparkassen represent an attempt to find a new way of raising capital for home-building. The first Bausparkassen appeared in Germany in 1924 and within six years the number had grown to 179. The future success of building associations in Germany, Dr. Block believes, depends upon the elimination of the abuses of a semi-lottery nature and the adoption of the methods followed by the better of the British and American associations.

Dr. Block's exposition, so far as the reviewer knows, is the first detailed study of this movement in Germany. American building and loan students certainly would welcome an English edition of this admirable work.

H. S. PIQUET

BRANNAN, J. D. *The negotiable instruments law annotated*. 5th ed., rev. and re-arranged by F. K. BEUTEL. (Cincinnati: W. H. Anderson. 1932. Pp. 1322. \$10.)

BRIDGEN, J. B. *Credit: what is; what is proposed; what is practicable*. (Brisbane: Queensland Bureau of Econ. and Stat. 1932. Pp. 72.)

CAMALIER, R. F., editor. *Digest of personal finance laws*. (Washington: Am. Assoc. of Personal Finance Companies. 1932. Pp. 1095.)

GALLERT, D. J., HILBORN, W. S. and MAY, G. *Small loan legislation: a history of the regulation of the business of lending small sums*. (New York: Russell Sage Foundation. 1932. Pp. 255. \$3.)

This volume is the third in a general survey of the small loan situation published by the Russell Sage Foundation. Here, in contrast to the earlier studies, emphasis is placed almost exclusively upon the legal aspects of the evolution of the small loan business. The three authors, all lawyers, are well qualified by training and experience to trace the legislative evolution and the administrative application of small loan laws. In this respect they have done an excellent job and have made available to the layman and the expert a mass of information not otherwise easily accessible.

The book is divided into two parts, that concerning small loan laws proper and that having to do with wage-assignment laws. The first part is the more extensive, discussing early attempts at small loan legislation, the experimental period from 1898 to 1910, what is called the coördinating period from 1910 to 1916, the uniform small loan law with the changes made from 1917 to 1932, a survey of existing legislation and analysis of constitutional issues involved in such legislation. The authors show the extent to which the Russell Sage Foundation has influenced the enactment of these laws from 1916 to date, 36 states at present having laws specifically regulating small loans (p. 113). The underlying philosophy of these laws appears in the appraisal:

"This law [the uniform law], when passed, marked a great advance: it covered the entire field; it made an honest effort to provide a return sufficient to attract capital; it provided for adequate supervision; it gave a monopoly of the business to licensees by punishing criminally all non-licensees engaging in the business; and it provided for publicity both of the identity of the lender and of the transaction" (p. 60).

The chief opposition to the uniform law came from the high-rate commercial lenders who resented any limitations upon their vested interests (p. 112) and who realized that the enactment of such laws would leave

them little opportunity to reap the generous returns that had come from lending to necessitous borrowers.

Legislation regulating wage assignments was necessary as a means of stopping the procedure whereby lenders attempted to circumvent the provisions of the uniform law. The authors show how these problems are definitely different aspects of the same economic situation and how one law is a necessary supplement to the other. They give a comprehensive survey of earlier legislation as to wage assignments and their present status.

The reviewer, appreciating the value of this study and realizing that the economic issues of small loans appear only incidentally rather than as the principal objective, cannot agree with the authors in their position as to the effect of competition between lenders. They contend that high interest rates will not impose a burden on lenders "after competitive forces have established proper rates for different classes of security and risk" (p. 46). The reviewer, in another place,<sup>1</sup> has attempted to show that competition in this field is much more likely to result in higher rates, rather than lower, by reason of the reduction in the volume of business per unit and the heavier loading of overhead charges. In fact, the Russell Sage Foundation gives partial recognition to this in the fifth draft of the uniform law in specifying a minimum of \$25,000 of assets for each operating company (p. 236).

CLYDE OLIN FISHER

GRAHAM, M. K. *Continuous prosperity. Address delivered to the Town and Gown Club at Dallas, Texas, April 25, 1932.* 2nd ed., enl. (Nashville: Parthenon Press. 1932. Pp. 156.)

Author is in favor of abandoning the gold standard and substituting a new standard, the price index. "Later, we should agree with England upon a new, managed monetary system based upon gold and adapted to modern conditions." The cause of the business cycle is too much credit in the beginning and later on it is too much debt.

KUCZYNSKI, R. R. *Bankers' profits from German loans.* (Washington: Brookings Institution. 1932. Pp. xii, 228. \$1.75.)

WILLIAMS, F. *Democracy and finance.* (London: The Labour Party. 1932. Pp. 64. 6d.)

*The banking laws of North Carolina. Reprint from the North Carolina code of 1931.* (Charlottesville, Va.: Michie Co. 1931. Pp. 52.)

*Currency, banking, finance.* Policy rep. no. 1. (London: The Labour Party. 1932. Pp. 11. 1d.)

*Report of the Gold Delegation of the League of Nations Financial Committee.* (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 83. 60c.)

This contains the final conclusions of the Delegation, supplementing the two Interim Reports which dealt with (1) the production of and demand for gold and (2) distribution of gold reserves. Part I treats of the gold standard since the war, and Part II, the purchasing power of gold. The Delegation is in favor of the restoration of the gold standard in the shortest possible time and to this end advises a return to a "reasonable degree of freedom in the movement of goods and services." This involves

<sup>1</sup> *American Economic Review, Supplement, March, 1931, p. 13.*

a satisfactory solution of the problem of reparation payments and war debts, and the adoption of definite policies by central banks, whereby the movement of gold should be left free to influence price levels. It is believed that the gold-exchange standard has hampered the working of the gold standard by increasing currency instability. The Report includes the emphatic dissent of Professor Gustav Cassel to that portion which attempts to explain the causes of the breakdown of the gold standard.

### Public Finance, Taxation and Tariff

*General Sales Taxation: Its History and Development.* By ALFRED D. BUEHLER. (New York: Business Bureau. 1932. Pp. ix, 378. \$5.00.)

The world is the unit of area in this study. In view of the limited geographic area covered by most books on sales taxation written in English, this fact alone lends unusual interest to the reading of this book.

Part I opens appropriately enough with a chapter on the history of general sales taxation which, however, is very brief. Next, an account is given of the various sales tax proposals made in the United States, especially since 1918. This chapter is followed by one in which the late bill for a manufacturers' sales tax is treated. Succeeding this account, two chapters describe the various American state sales taxes. Then a treatment of the French and the German turnover taxes, the Canadian manufacturers' sales tax, and various other foreign sales taxes is included. This consideration of the various general sales taxes is followed by a number of chapters of interpretation. In these chapters, the incidence of general sales taxation, its effects on business and consumers, and its place in the fiscal system are examined.

Part II consists of a chapter on the 1932 federal revenue bill.

In Part III, sales taxation in a number of minor countries is described briefly. The book ends with a bibliography, which is particularly useful because of the numerous references to foreign sales taxation.

Professor Buehler considers the modern general sales tax movement to be in the main a war and post-war phenomenon. He remarks that in 1914 the general sales tax was but little more than a name in public finance. Only Mexico and the Philippines collected such a tax in that year. But in 1918, Germany enacted a tax on all business turnovers. This example was followed by other countries until about 30 nations made general sales taxes a part of their fiscal systems. Of these countries only two, Lithuania and Portugal, have repealed their general sales tax legislation.

The general sales tax movement, according to Professor Buehler, is explained by the need of revenue to meet mounting governmental costs. And on the evidence of his studies he finds that the general sales



tax has met this need. He remarks that the greatest advantage of the general sales tax is its high productivity when the base of the tax is broad and its rates sufficiently high. This high yield holds true even under unfavorable circumstances, if the administration of the tax be a strong one. For in spite of the many difficulties of administering a general sales tax, such problems can be met with fair success.

But, in spite of the revenue attainments of general sales taxes, Professor Buchler is not inclined to favor this kind of taxation. He finds that in those instances where a general sales tax is not shifted, it imposes unequal and unfair burdens on business, although he recognizes the success of the Austrian sales tax administration in meeting one type of inequality, that due to differences in the degree of integration of the business enterprises taxed. He objects likewise to the regressive effects of such part of general sales taxation as can be shifted to consumers. He admits that in theory the regressive effects of a general sales tax could be corrected by the levy of progressive taxes, but observes that in practice those nations which collect a general sales tax do not offset its effects by taxes sufficiently progressive. Instead, they draw so much revenue from other commodity taxes that the levy of a general sales tax tends to make their tax systems even more regressive.

Professor Buchler, however, favors excises on a few selected commodities. He says that "taxes on a few selected lines of consumption may be employed to reach classes not sufficiently taxed by other taxes and to balance the progressivity of the income tax and the inheritance tax. Experience shows that such taxes are highly productive. They are more equitable than a general sales tax because they tax only a few non-essentials or necessities, while the latter taxes all consumption and exempts only a few lines of consumption." He holds that excise taxes of this nature "normally provide all the revenues that may be drawn with safety from consumption."

In appraising this work, much credit must be given the author for the mass of material which he has presented on general sales taxation, especially in foreign countries. This material is well-selected and valuable. Moreover, it is carefully supported by citations to the evidence on which it is based. On the other hand, the veriest inspection of the table of contents discloses that this book is poorly organized. And now and then careless statements and inconsistencies appear in it. Thus on page 66 it is said that a majority of the New York Tax Commission favor a gross sales tax. A footnote in the back of the book, where few readers would find it, makes clear that by "Tax Commission" the New York State Commission for the Revision of Tax Laws is meant. Pages 214 and 259 leave the reader in doubt regarding Professor Buchler's position on the use of taxation for purposes other than rev-

enue. Pages 232 and 238 likewise leave him in the same position regarding the possibility of shifting a sales tax on the consumption of wage earners. These negative features, however, should not be over-emphasized.

M. SLADE KENDRICK

Cornell University

#### NEW BOOKS

ANDRÉADÈS, A. *Les finances de l'empire japonais et leur évolution (1868-1931)*. (Paris: Alcan. 1932. Pp. viii, 193. 15 fr.)

BUEHLER, E. C., compiler. *State and local tax revision*. (New York: H. W. Wilson. 1932. Pp. 354.)

It appears that many high schools will debate on the question, Resolved: That at least one-half of all revenue for state and local purposes should be derived from sources other than tangible property. This volume will not only be of service to those engaged in debate, but will be of service to older students. It includes nearly 40 pages of bibliographical references, as well as about 20 articles.

GILL, J. H. *The increasing cost of government*. (Miami, Fla.: George Richard Hilty, Box 875. 1932. Pp. 25. Gratis.)

GÖRLICH, M. *Die Aufwandsteuern des Vereinigten Königreiches Grossbritannien*. (Jena: Fischer. 1932. Pp. x, 122. RM. 6.)

HANDY, A. *Estate taxes*. (Albany: M. Bender. 1932. Pp. 705. \$10.50.)

HERNDON, J. G., Jr. *Relief from international income taxation: the development of international reciprocity for the prevention of double income taxation*. (Chicago: Callaghan. 1932. Pp. viii, 303.)

HILLS, J. W. and FELLOWES, E. A. *British government finance*. 2nd ed. (New York: Columbia Univ. Press. 1932. Pp. 218. \$2.75.)

HÜNLICH, F. A. *Die Steuerverfassung Spaniens in Geschichte und Gegenwart*. (Jena: Fischer. 1932. Pp. x, 130. RM. 6.)

KOSZUL, J. P. *Les efforts de restauration financière de la Bulgarie (1922-1931)*. (Paris: Alcan. 1932. Pp. xii, 468. 80 fr.)

LANG, A. S. *Financial history of the public lands in Texas*. Baylor bull., vol. xxxv, no. 3. (Dallas: Baylor Univ. 1932. Pp. xii, 262.)

LEFFLER, G. L. *Wisconsin industry and the Wisconsin tax system*. Bull. no. 3. (Madison: Univ. of Wisconsin Bur. of Bus. and Econ. Research. 1931. Pp. 124.)

This little study represents the second exploration of its author into that fascinating but uncharted field of the relations of a state tax system to its industrial development. The first edition appeared a year or so before this one. In this survey, as in the earlier one, Wisconsin is compared with New York, Ohio, Indiana, Illinois, Michigan and Minnesota in respect to taxation and industrial development.

The first division of this study is devoted to an account of comparative industrial development in which numerous "tests of industrial prosperity" are employed. In the second division, a number of measures of general tax burdens in the various states are applied. The third and last division undertakes a comparison of the various tax burdens imposed on manufacturing and ends with a statement of conclusions. Chief among these con-

clusions are that industrial development in Wisconsin compares favorably both with that in the other six states and in the country as a whole and that taxes in Wisconsin are not "exceptionally high" in comparison with taxes in the other states.

The objective of this study is to answer criticisms of the public policies of the State of Wisconsin. Whatever of worth attaches to such an end, if this study be appraised by the measure in which this end is accomplished, it merits approval. The *New York Times* and other critics are answered. Moreover, a large amount of significant and interesting material on a problem of general interest is presented.

But, unfortunately, the real merit of this work is obscured to some extent by certain instances of carelessness in its preparation. For example, "industrial" is defined "in the narrow sense as synonymous with manufacturing." Thus on the basis of such a definition, only manufacturing and related industries should be included in this study. But the text does not follow the definition, with the result that the analysis does not stand out as clearly as it should. Also, the practice of obtaining the average of three years' data and then calling this average the last year, though adopted for the sake of simplicity, was confusing to the reviewer and particularly so when the highly prosperous years, 1928 and 1929, were averaged with 1930 and the result was called 1930.

M. SLADE KENDRICK

LYMAN, C. M. *Inheritance taxation in Connecticut*. (New York: G. A. Jennings. 1932. Pp. xiii, 373. \$7.50.)

PUGLIESE, M. *La finanza e i suoi compiti extra-fiscali negli stati moderni*. (Padova: A. Milani. 1932. Pp. ix, 259. L. 32.)

———. *La politica finanziaria ed edilizia del comune e del land di Vienna*. (Pavia: Tip. Coöp. 1931. Pp. 84.)

The city of Vienna has attracted wide attention for its stupendous building program of thousands of municipal dwellings erected during the critical post-war years, at a time when Austria itself was in the throes of an unprecedented financial crisis. This careful thesis by an Italian scholar analyzes the legal and structural changes in Vienna's taxation policies which have enabled the city to achieve this arresting record through the collection of an increasing share of revenue from taxes on wealth, particularly luxuries, industries and commerce, and through the establishment of financial autonomy within the Austrian Republic.

JOHN RICHARD MEZ

RAO, V. K. R. V. *Taxation of income in India*. (New York: Longmans Green. 1931. Pp. xvi, 327. \$4.)

This book is an analysis both of the historical income taxes of India and the present tax in the light of the theory of "ability to pay." The author deals briefly with the development of Indian income taxes levied to produce revenues regardless of equality of taxation and shows the changing attitude of the people towards these taxes from their inception in 1860 through the license taxes and then back to the formal income taxes. He stresses the futility of imposing upon a people taxes adopted from another state and ill suited to its industrial development. Most strongly does he reject the portions of the law, imposed for political reasons, which ex-

empt practically all of the British from Indian taxation, and which give power to the Governor General in Council to stipulate incomes that are exempted, from which unjust military privileges have resulted.

The chief portion of the book analyzes the present law and suggests changes that will make it agree with the ability theory. Exemption of agricultural income from the income tax is decried. The author points out that the land revenue taxes in reality constitute a tax on agricultural income, but that they ignore the principle of ability, tax those who should be exempt, are regressive, and, finally, are class legislation, allowing agricultural incomes to be taxed at a lower rate than non-agricultural incomes.

Deductions from gross incomes similar to those in other countries are approved, with an added one defended not on the basis of ability but on the grounds of national expediency. One-sixth of one's income can be deducted from the gross income, if it is applied to life insurance or annuity accounts. The author discloses complete confusion regarding the theory of depreciation as an expense. The refusal to consider depletion of mines, based on the fact that it is difficult to determine the content of a mine, appears most superficial. His suggestion that mineral wealth belongs to the state presents a much more forceful argument. Personal exemptions are allowed on all incomes under Rs. 2,000 (\$720), and these, the author states, pay their fair share, due to the sales taxes levied on staple commodities. Allowances for children are unknown in India, due to the fear that allowances will tend to increase the already excessive population of the country.

The author's application of the ability canon in one respect is questionable. On this canon he defends classification and differentiation of incomes for tax purposes. This raises the question, does the source of income cause a difference in ability to pay? Are not earned incomes taxed at a lower rate in many of the countries merely to satisfy the socialistic urge to penalize wealth?

H. M. HECKMAN

ROGERS, R. E., editor. *Tax law and other general laws relating to taxation of the state of New York, with amendments to the end of the legislative session of 1932.* (New York: Baker Voorhis. 1932. Pp. v, 503.)

SELIGMAN, E. R. A. and SHoup, C. S. *Informe sobre el sistema tributario de Cuba.* Translated into Spanish by J. E. CORTINAS Y GALVEZ. (Havana: Carasa. 1932. Pp. 469.)

This volume presents in Spanish comprehensive data concerning the Cuban tax system and its administration considered theoretically and from the point of view of fiscal adequacy. Somewhat detailed yet concise directions for revision are given. The study extends through 22 chapters. For the most part each chapter falls into two rather well defined parts: one containing statistical, historical, and other descriptive matter having to do with some aspect of the tax system or its administration, usually one or more of the sources of revenue; the other contains critical analyses and proposals for reform.

Some of the more important topics treated are: relationship between federal and local jurisdictions in taxation and tax administration; costs of fiscal administration; administrative aspects of the tax system; the lottery; the gross sales tax; special taxes on consumption (on beer, cold

drinks, tobacco, cigars, cut tobacco, matches, wine, liquors, etc.); on mercantile activities; taxes on public utilities, gasoline, sugar, etc.

A short résumé of the more important conclusions only may be given: The Cuban tax system is mostly an unchanged heritage of the tax system of Colonial Spain, devised in the interests of the mother country and the landlords, and for these reasons necessarily based largely on indirect taxes bearing on consumption. More emphasis should be placed on direct and less on indirect taxation. By so doing greater equality and universality could be secured and the burden of taxation distributed in accordance with the principles of ability to pay and of benefits rendered by government, imposing the least burden in the securing of an adequate revenue. For the achievement of this purpose the lottery and gross sales tax should be abolished and numerous consumption and stamp taxes abolished or reduced; also taxes on the transfer of property and those created by the economic emergency law should be abolished or modified. Land taxes should be taken over by the federal government, and the administration of the entire system concentrated in the hands of the central government, reducing costs and increasing efficiency. Revaluations of real estate, increase of realty tax rates to 15 per cent of net rent, and revision of tax lists should be effected, revision of inheritance tax rates, abolition of taxes on export of money and merchandise, and decrease of import duties affecting the prices of food products, etc.

The authors' plan of reform would retain import duties in modified form, realty taxes based on imputed net income and central administration, personal and business net income taxes, inheritance taxes (with revised schedule of rates), gasoline and liquor taxes as principal sources of revenue. Consolidation of taxing districts and centralization of fiscal functions are important parts of their plan.

By way of final comment, this study was made for and will be of greatest value to the Cuban government, but of unusual interest and value to business men having capital invested in Cuba, and, of course, to students of taxation everywhere.

It is unfortunate, however, that a work of such importance and by such eminent authors is not available in English.

JOHN G. ELDRIDGE

STAMP, J. *Taxation during the war*. (New Haven: Yale Univ. Press for the Carnegie Endow. for Internat. Peace. 1932. Pp. xiv, 249.)

*Indian finance year-book, 1932*. Annual suppl. of *Indian finance*. (Calcutta: Indian Finance, 25, Swallow Lane. 1932. Pp. 272.)

*Sales taxes: general, selective and retail*. (New York: National Industrial Conf. Board. 1932. Pp. ix, 79. \$2.)

The emphasis is on American taxation, though illustrations drawn from the experience of other countries are used freely. The treatment is balanced by an objective presentation of both sides of the sales tax argument. Indeed, the practical omission of any conclusion suggests the intention that the reader make up his own mind on sales taxation from the arguments and the evidence presented. Written to improve the popular understanding of the sales tax issue, the pages of this little book are used well, even though they contain nothing new for the student of taxation.

M. SLADE KENDRICK



*Tariffs: the case examined.* By a committee of economists. (London: Longmans Green. 1s.)

*Tax law of the state of New York: provisions of the tax law of the state of New York relating to local assessments, being the first eight articles thereof, and sections 205, 219-j and 219-l, with amendments to the end of the legislative session of 1932.* (New York: Baker Voorhies. 1932. Pp. 162.)

## Population and Migration

### NEW BOOKS

BALÁS, K. v. *Das neue Bevölkerungsproblem.* (Budapest: Stephaneum Nyomda. 1932. Pp. 70.)

BOLDRINI, M. *La fertilità dei biotipi: saggio di demografia costituzionalistica.* (Milan: Soc. Ed. Vita e Pensiero. 1931. Pp. xiii, 238. L.20.)

Thirty years ago, Benini urged the need of studying less the general population itself than the family as the unit of the population. Speculative interest has since shifted to general biology, moved in part by the phenomenon of the declining birthrate. Boldrini, emphasizing still more the center of the family, essays to make a first contribution to a "demography of the individual."

Both in Italy and elsewhere, the short or square bodily type has often been associated with an especially active sexual function. Boldrini examines the soundness of the association. Premising that effective fertility may be regarded as an index of fecundity, he selects 715 fathers of Padua, whose dimensions at the age of twenty were known and whose whole family history was known. About a third were of the square type, a third of the medium, a third long. Making allowance for such factors as the condition of the wife, social class, and age when economic independence (not in the sense of leisure) was attained, he finds that the broad-shaped types had approximately 8 children, the long-shaped 7, the medium an intermediate average. So far the prevalent view stands verified. By implication the higher birthrate of the poor may result partly from the well-known circumstance that the poor include more of the broad-shaped type than the well-to-do classes do.

R. F. FOERSTER

CAHEN, A. *Statistical analysis of American divorce.* (New York: Columbia Univ. Press. 1932. Pp. 149.)

HERBST, A. *The negro in the slaughtering and meat-packing industry in Chicago.* Hart, Schaffner and Marx prize essays, 52. (Boston: Houghton Mifflin. Pp. 205. \$3.)

HIMES, N. E. *A guide to birth control literature: a selected bibliography on the technique of contraception and on the social aspects of birth control.* (London: Noel Douglas. 1931. Pp. 46.)

ICHIHASHI, Y. *Japanese in the United States: a critical study of the problems of the Japanese immigrants and their children.* (Stanford Univ.: Stanford Univ. Press. 1932. Pp. 436. \$4.)

MONROE, D. *Chicago families: a study of unpublished census data.* Soc. sci. stud. no. 22. (Chicago: Univ. of Chicago Press. 1932. Pp. xxii, 344. \$3.)

VAN VLECK, W. C. *The administrative control of aliens: a study in administrative law and procedure.* (New York: Commonwealth Fund. 1932. Pp. ix, 260.)

*New Zealand: report on the vital statistics of the Dominion for the year 1931.* (Wellington: Census and Statistics Office. 1932. Pp. xxvii, 178. 5s.)

*New Zealand: statistical report on population and buildings for the year 1931-32.* (Wellington: Census and Statistics Office. 1932. Pp. 23. 2s.)

### Social Problems and Reforms

*Business Looks at the Unforeseen.* By WALLACE BRETT DONHAM. (New York: McGraw-Hill. 1932. Pp. ix, 209. \$2.50.)

Dean Donham here furthers his plea that intelligence be substituted for chance, that we renounce our faith in accidents, and that "socially minded, able business leadership" take the helm. Europe's continuous problem of unemployment and England's declining normal line of business activity, about which her cycles revolve, presage danger in our own reliance upon historical repetition—that "after each major depression we have come out to a bigger, busier America."

In *Business Adrift* we had the author's plan for a guided economic order, based on a theory of foresight. In Part I of the current volume we have his theory of adjustment, needed, he believes, to supplement and overlap such long-term planning as should be undertaken upon the former theory lest the very structure upon which planned action may be taken be weakened, if not shattered, by destructive forces now at work.<sup>1</sup> In Part II discussion is directed at the current scene and his theory is applied to such problems as unemployment, price deflation, farm purchasing power, and tariff protection.

A sentence from Professor Patterson's review of *Business Adrift* can be properly cribbed by the present reviewer: "Adverse comments on such an inquiry are of course easy and should be made with due appreciation of the difficult task the author has attempted." Economists, save those violently empirical, will disagree less with Part I than II; the social psychologist will reverse the order. However, to rear a general theory of economic procedure is one thing; to apply that theory to specific segments of the complex overly-compartmentalized group of specialisms known as economics is another. Respectful reading is due any able thinker who attempts the former; he need not be held to omniscience when he tries the latter.

The author thinks through the problem of adjustment in Part I by drawing upon biology and organic evolution. Limitations to analogy are recognized but these are, perhaps, "progressively less powerful as these comparisons become cumulatively more exact." Some deference appears to be paid the organismic theory of society; but the essential difference between society and a single organism is held to be that

<sup>1</sup>"In this book events occurring after February 18, 1932, are not considered" (p. vii).

the latter enjoys (or suffers?) no thinking by its separate parts whereas society lacks an "adequate social mind." Man has done much, individually and socially, to adjust himself to environment and its changes; nevertheless we are now faced with changes, to which adaptation is vitally requisite, that have shortened from hundreds of years to less than a generation. Hence, the industrial order requires an injection of methods whereby these changes may be dealt with, but without loss of economic and social stability. The obligation is jointly that of government—"to furnish this essential stability and . . . create the necessary mechanisms of adjustment"—and of business—"to contribute to economic progress through its efficiency." What are the elements of the task? (1) Obtaining *adaptations to long time permanent conditions* (old age, disability, accident, sickness, death) by applying insurance principles, "mainly a social responsibility to be met by government action." (2) Building up *insulating and defensive devices* to the end of more nearly self-sufficient communities. (3) Developing *compensating mechanisms*, shock-absorbing in character, without regard to the causes of the shocks or the principle of laissez-faire, that equilibrium may be speedily restored. (4) Providing *margins of safety* (akin to the human's extra lung and second kidney) which are not dependent upon savings and hence subject to price risks, as those now had. (5) Establishing a *central thinking agency* "to anticipate the slow trial and error of organic evolution" but not to abolish individual risks and opportunities; facts should be found and interpreted, aiding private enterprise to make major decisions more intelligently. (6) Evolving all plans in the light of the *specialized problems of a democracy*. The "economic general staff" (from government, business, and labor) should *plan*, but by no means *control*.

In Part II Dean Donham reiterates, with more argument, the tariff contentions of his earlier volume. "The world is overbuilt with industrial nations relying on foreign trade" (p. 92); agricultural and basic commodity countries are caught between their own excess supply and the inelastic demand of those countries now over-industrialized (p. 93); there is little hope that the former levels of basic commodity prices can be restored (in the world markets) (p. 94). On the doctrine of national specialization the author feels that we cannot thrive from "taking in each other's washing" when "essentially all are equipped to do the same kind of washing" (p. 96). If two-thirds of the machinery exported in eight years were used in manufacturing, the output would equal about one-fifth of the total world exports in 1929. And with world markets now static, raw material prices down, and the consequent basis of international credit shrunken, "the reality of the situation is that all nations must return to a policy of protecting and developing

their home markets" (p. 101). Other "lost consumers" are the unemployed, "the psychological group," and the farmer. Proposals for these include: organization of the labor market and an elastic control of each laborer's hours with reference to national and regional employment indices, with a supplementation of government works planned before but done when business slows down; restoration of confidence by wise anti-deflationary measures that the 1925 price level may be regained, with access to the federal reserve banks opened and enlarged for member banks; farm purchasing power can be restored only by "a permanent readjustment of quantities grown . . . with home demand" (p. 137) and some elastic method for separating price levels on commodities grown for domestic consumption from those grown for export (p. 140). Finally, brief attention is paid the economic "plans" of the following: Chase, Beard, Soule, the United States Chamber of Commerce, the Federation of Labor, Swope, and President Hoover. The administration's program, "while constructive in high degree," has its sole aim in credit expansion, and "no plan thought out in advance would have paid so little attention to the problems of unemployment and of the farmer. . . ." (p. 205).

As intimated above, no general review may properly criticize specific proposal. To special students in each field, however, the book should provide reacting or counteracting stimulus. Particularly does this reviewer feel that Dean Donham's argument for a diversified national sufficiency, in the light of the present world situation, deserves the attention of special scholarship.

*University of Wisconsin*

W. BAYARD TAYLOR

*Boycotts and Peace: A Report by the Committee on Economic Sanctions.* Edited by EVANS CLARK. (New York: Harper. 1932. Pp. xx, 381. \$4.00.)

The Committee on Economic Sanctions consists of Nicholas Murray Butler, Joseph P. Chamberlain, William H. Crocker, John Foster Dulles, Lucius R. Eastman, Alanson B. Houghton, Edward N. Hurley, James D. Mooney, Harold J. Moulton, Bolton Smith, and Silas Strawn. The studies which are contained in this volume were made possible by the Twentieth Century Fund, whose director, Evans Clark served as secretary to the Committee. The report itself is brief, consisting of only about 600 words. It is supported by statements by President Butler, Evans Clark, John Foster Dulles, and James T. Shotwell. The report and supporting statements occupy only 45 pages. The great bulk of the volume consists of special studies by experts on various aspects, legal, political, military, and economic, of the problem of boycotts. There are supplementary chapters on the economic dependency, particularly

as related to food, of Japan, Italy and Germany. There are a number of appendices consisting of statistical tables, the Pact of Paris, essential articles of the Covenant of the League of Nations, a bibliography, etc.

Boycotts are defined as "joint and simultaneous official embargoes against an offending nation by the other leading powers of the world, enforced under mutual agreements by the governments of each of them through their own customs and port authorities." Sanctions are defined as "penalties prescribed in international treaties and agreements for their violation." The purpose of the report is "to formulate a practical solution of one of the most crucial problems with which the entire community of nations is now faced—the effective prevention of war." In effect the report proposes to "implement" the Kellogg-Briand Pact of Paris. It is recommended "that the government of the United States should promptly take the lead in calling a new international conference of the 60 powers signatory to the Pact of Paris for the purpose of entering into a supplementary agreement or treaty by the terms of which they will engage themselves, should any one of their number threaten or begin hostilities, to consult together promptly for the purpose of determining upon such measures of non-intercourse with the pledge-breaker or pledge-breakers as would be appropriate to prevent any threatened breach of the Pact; or, if that breach could not be prevented, to end hostilities and to restore the status existing prior to the breach." The proposal does not contemplate the use of military force but merely such economic sanctions as in each instance shall appear most expedient.

There can be no question, particularly in view of the recent conduct of Japan in Manchuria and Shanghai, that the Pact of Paris as it stands embodies little more than a pious aspiration. It is likewise clear that the signatory powers are unwilling to bind themselves to engage in actual war against a violator of the Pact. Economic sanctions, boycotts in one form or another, appear to be the only practicable means of enforcing the obligations which the Pact involves. Two courses are open: either to embody specifically in an international agreement the course of action which each signatory power shall take in the event of a breach of the Pact, or to provide for consultation as each instance arises. The Covenant of the League of Nations in providing for total non-intercourse by all its members against an aggressor adopts the former principle. The Committee believes that this provision of the Covenant is fundamentally faulty; it makes "demands on the enforcing states which are so onerous as to be virtually impossible of acceptance." It is, therefore, the latter method which the Committee recommends.



Three major questions arise in connection with the proposal of the Committee. First, can the aggressor state always be definitely determined? The circumstances which surround a dispute threatening war between two nations are always extremely complex and difficult to appraise. Where the responsibility is to be justly placed is often a matter of honest difference of opinion. Perhaps the procedure of the Council of the League in both the Graeco-Bulgarian dispute of 1925 and in the Sino-Japanese dispute of 1931, in requesting the parties to withdraw their respective forces, pending investigation, affords a solution to the problem. By creating "conditions under which the aggressor would be compelled to show itself as such by its very attitude," the question may perhaps find a satisfactory answer.

The second question is whether an agreement among the enforcing states as to what sanctions, if any, should be invoked could be expected in every instance. The effect of a boycott upon the enforcing states would vary widely depending upon the nature and volume of trade which normally is carried on between each and the aggressor. In some instances the boycott might be advantageous; in others little short of disastrous. Since, by the terms of the Committee's proposal, the question of sanctions is to be decided in each instance by consultation, is there any assurance that agreement could be reached? The question is not satisfactorily answered in the report or supporting documents.

The third question, and perhaps the most important, is whether boycotts can be expected to be effective in every instance in either preventing war or in bringing it speedily to a conclusion. Book II of the research findings of the volume under review, by Edwin C. Eckel and Frederick G. Tryon, deals with "The economic and military aspects of boycotts," and constitutes in the reviewer's judgment, the most valuable portion of the book. Here we find careful analyses, based upon ample statistical data, of the effects of embargoes on credit, on munitions, on raw materials, and of total non-intercourse. The question of the efficacy of boycotts is discussed with reference to particular states and specific situations of dependency upon foreign credit or supplies. The conclusion is not reassuring with respect to the feasibility of economic sanctions as a universal preventive of war. In some instances they may prove effective, but in others, and particularly where a great power is the aggressor, they might prove no more than an inconvenience. The United States or Russia would probably be able to carry on a war indefinitely under conditions of total non-intercourse with neutral powers.

Although the special studies of the experts do not in general support the recommendations of the Committee, both the Committee and the Twentieth Century Fund have performed a very important service

in making possible a most illuminating study of what is certainly a major problem in the field of international politics.

WALTER JAMES SHEPARD

*Ohio State University*

*Money for Tomorrow.* By W. E. WOODWARD. (New York: Liveright. 1932. Pp. vi, 315. \$2.00.)

This is another book on the present depression. The author includes in his criticism nearly everyone in responsible governmental and industrial positions, the newspapers and financial magazines, the forecasters, the relief agencies, the proposed plans for reconstruction and so on. In fact, he does this quite adequately and with plenty of sarcasm.

After reading the pages of this book carefully, one is convinced that Mr. Woodward is no different from many others whose hindsight has turned out to be better than their foresight. There is nothing new in the book for the student who has followed the course of events for the past few years; yet, despite his "hope to God nobody will enjoy reading the book" (Ch. 1, first line), it will be found of interest.

It is hard to decide whether Mr. Woodward is pro or anti the present capitalistic system, as the point of view shifts frequently. At one time he denounces the present system and its institutions, while in his concluding chapters he suggests remedies based largely on the revision of our institutions. The chief cause of the depression, the author finds to be "the segregation of profits and consequent inability of the great mass of our population to buy the products of their own toil" (p. 291). The first thing to be done should be a "raising of the entire price level" (p. 256); this is accomplished by inflation which "if properly conceived and applied will increase the buying power of millions of people and the corresponding increase in consumption will give new relief to stagnant industries" (p. 257).

Mr. Woodward feels that the gyrations of Congress and the administration in devising the so-called remedies for this unparalleled catastrophe are such as to make one have doubts as to the sanity of the race. He feels there are basic economic laws so elementary that they may be expressed axiomatically as follows: (p. 259)

1. This is not the time to raise taxes.
2. This is not the time to balance the budget by laying heavier burdens on industry.
3. This is not the time to reduce federal expenses.
4. In time of prosperity, governmental expense should be reduced to the bare bones. In such periods, government employees should be laid off whenever and wherever possible, as there is plenty of work for everybody in industry and commerce.
5. In time of prosperity, taxes should be raised, and bonds called in.

6. In time of depression, bonds should be issued and taxes reduced. During such a critical period no governmental employee should be deprived of a job.

These policies are in direct opposition to the measures which have been adopted and contrary to the manner in which credit functions, since the only times when large issues or bonds can be floated are in so-called good times.

As a substitute for giving employment to jobless in large numbers on public works, which he feels has no merit, Mr. Woodward suggests a national dole on a large and generous scale (p. 267) in the form of industrial loans to the jobless. This would take the form of a monthly loan sealed to the borrowers' former earning capacity while employed, but not to exceed one hundred dollars per month and not for more than a six-month period. The notes would be endorsed and run for two years without interest. At the end of two years the borrower might begin to pay them off in installments but even if none were paid off, the author feels it would be a good investment. The money for the loans would be provided by bond issues which might be called "prosperity bonds" to be paid for by the banks on installments if necessary.

The author regards the tariff as being here to stay and blames it for half of our troubles. He is for repeal of the anti-trust laws and the creation of monopolies in all basic industries. Through efficient control and planning, profits could be limited and the returns to capital and labor stabilized. Corporation laws should be amended and charters granted by the federal government when the corporation engages in interstate commerce. This would make possible federal supervision and control. Large fortunes and huge incomes, which have become a menace to our economic system, must be ended by steadily increasing income and inheritance taxes. Business enterprise in general ought to be limited, as we are the victims of too much commercial endeavor.

The economist will find a good many statements in the 20 chapters with which there will be little agreement. Many of the author's statements are challenged by Mr. Lawrence Dennis in an appendix and are answered briefly by the author, which leads one to believe the brand of economics is distinctly Mr. Woodward's.

JOHN F. BELL

*Temple University*

*The Tragedies of Progress.* By GINA LOMBROSO. Translated by COLEY TAYLOR. (New York: Dutton. 1931. Pp. xii, 329. \$3.75.)

In this volume the daughter of the famed criminologist and wife of Ferrero, the historian, joins the ranks of those who declare our modern industrial civilization to be bankrupt. She seeks to establish her case

by comparing our order with that of earlier times, by tracing the historical development of the present situation, and by pointing out the existing facts which, in her opinion, make great and beneficial changes inevitable.

The fundamental cause of "modern machinism" Mme. Lombroso considers to be, not the invention of machines—something of which the ancients, for instance, had been perfectly capable—but the triumph, first of all in England after the fifteenth century, of a materialistic point of view which has exalted production and money-making. The policy consequent upon this attitude led to such dazzling results, after the American and French Revolutions had provided England with favorable opportunities, that the rest of the so-called civilized world was seduced into imitation.

The inevitable outcome has been a never-ending series of blind sacrifices upon the altar of productivity. Natural resources have been feverishly dissipated. The dominating ideal of human life has become the increase, first, of production, and then, of the consumption of that which has been produced. Education, the conditions of labor and family life, standards of living in every sense—all these have been controlled and deleteriously affected by the ruling social passion. Government itself has been employed, as witness economic imperialism abroad and tax-supported "promotion" of business at home.

The social consequences have been tragic: all elements of richness have been stripped from human existence; man's two great obligations have forced him to produce under physically and psychically dangerous conditions and without security, and to consume commodities for which he has no unstimulated want and which are often, indeed, harmful. On the moral side the outcome has been even worse, due to the reduction in social stability and the conviction that "economic progress" is an end which justifies all means. Hence have been accepted the creation and corrupt maintenance of various "privileges," the "control" of governments, the robbery and even massacre of aborigines. Hence have followed a destruction of idealism and individuality, a reduction in opportunities for joyous physical and intellectual effort, a universal cynicism and boredom.

But the end is in sight. Continuing her analysis, Mme. Lombroso argues that the present world depression marks the crisis. The conditions favorable to the apparent success of the false ideals are rapidly disappearing. The spread of industrialism on the one hand and the growing resistance of "backward" peoples to "civilization" on the other have immensely narrowed the markets in which forced consumption may provide an outlet for mass-produced commodities. Nor may the situation be saved by materialistic remedies such as national economic

self-isolation, or increasing monopolistic organization of industrial or laboring groups. What is required is a reestablishment everywhere of that ancient and essential balance between production and consumption where the former is guided by the latter, and the latter by a non-materialistic ideal of human existence.

Such a change would involve the abolition of all international barriers, the cessation of exploitation of one class or people by another, the rehabilitation of agriculture, and the destruction of all the special privileges now granted to our industrial behemoths. There would probably result, except in the case of universally demanded products, a large measure of industrial decentralization. Such is the case in France which Mme. Lombroso considers to point the way. For in France, the richest and soundest country in Europe today, in her opinion, the small farm and the small industry are the rule, individual freedom and resistance to artificially stimulated expansion are strongest.

Mme. Lombroso writes with passion and conviction, and gives evidence of a wide erudition. If her main thesis is somewhat too sweeping to command acceptance by economists generally, the fact nevertheless remains that the work is repeatedly challenging and thought-provoking. Her insistence that a machine-using civilization dominated by other than our present ideals would be a different, and might very well be a better thing, seems well justified.

KARL W. BIGELOW

*University of Buffalo*

#### NEW BOOKS

BOSSARD, J. H. S. and SELLIN, T., editors. *Prohibition: a national experiment*. Annals, vol. 163. (Philadelphia: American Acad. of Pol. and Soc. Sci. 1932. Pp. vii, 269. \$2.50.)

CALLCOTT, M. S. and WATERMAN, W. C. *Principles of social legislation*. (New York: Macmillan. 1932. Pp. xix, 416. \$3.)

Additional literature on this subject has been welcome for some time. Social workers need particularly to know the principles on which social legislation rests. Chapter 1 definitely sets forth these principles, while other chapters make frequent references to them.

The subject matter of the remaining parts of the book consists of the discussion of legislation relating to poverty, child welfare, housing, city planning, public health, education and recreation, public morals, labor legislation and social insurance. The range of topics is so large that each must be treated rather briefly. However, each subject is given a concise historical treatment and legislative trends are also indicated. The discussion of the problem of public morals is particularly valuable, since few books have given their readers a similar bird's-eye view of the subject. On the other hand, legislation relating to poverty is not adequately presented. Under labor legislation, the labor contract, control of hours of work, regulation of wages and improvement of factory conditions constitute the chief items receiving attention. After epitomizing American legis-



lation on workmen's compensation, the author gives a brief view of European legislation in the general field of social insurance.

"Humane legislation" is described under the terms "child protection" and "penal and court reforms." In this connection American legislation relating to the prevention of cruelty to children, to penological methods and to the handling of children through the juvenile court is briefly set forth.

The foreword to the book maps out a rich field for exploration. The author, however, contented herself with rather brief statements concerning, or summaries of, some very important judicial decisions. For example, the decision by the United States Supreme Court declaring the District of Columbia minimum wage law unconstitutional receives the barest mention. Yet this decision has paralyzed an important movement in the field of labor legislation. Less discussion of legislation and more attention to the principles underlying it would give the book additional usefulness. Nevertheless, a good start has been made, and those interested in social legislation will profit thereby.

GEORGE B. MANGOLD

COUNTS, G. S., and others. *Bolshevism, fascism, and capitalism: an account of the three economic systems.* (New Haven: Yale Univ. Press for the Williams College Institute of Politics. 1932. Pp. 274.)

CHASE, S. *A new deal.* (New York: Macmillan. 1932. Pp. vii, 257. \$2.)

COLE, G. D. H. *A guide through world chaos.* (New York: Knopf. 1932. Pp. xvi, 554, xix. \$3.75.)

CRESSEY, P. G. *The taxi-dance hall: a sociological study in commercialized recreation and city life.* (Chicago: Univ. of Chicago Press. 1932. Pp. xxi, 300.)

DAVIS, R. C. *Ability in social and racial classes: some physiological correlates.* (New York: Century Co. for the Univ. of Virginia Inst. for Res. in the Soc. Sci. Pp. 114. \$1.75.)

DOUGLAS, P. H. *The coming of a new party.* (New York: McGraw-Hill. 1932. Pp. ix, 236. \$2.)

FAIRCHILD, H. P. *Profits or prosperity.* (New York: Harper. 1932. Pp. vii, 204. \$2.75.)

GIDDINGS, F. H. *Civilization and society: an account of the development and behavior of human society.* Edited by H. W. ODUM. (New York: Holt. 1932. Pp. x, 412.)

GRIES, J. M. and FORD, J., editors. *Housing and the community: home repair and remodeling. Reports of the Committees on Housing and the Community, and Reconditioning, Remodeling and Modernizing.* (Washington: President's Conf. on Home Bldg. and Home Ownership. 1932. Pp. xv, 291.)

———. *Negro housing. Report of the Committee on Negro Housing.* (Washington President's Conf. on Home Bldg. and Home Ownership. 1932. Pp. xiv, 282. \$1.15.)

GROTE, C. *Housing and living conditions of women students in the Western Illinois State Teachers College at Macomb: school years 1926-1927, 1927-1928, and 1928-1929.* Contribs. to educ. no. 507. (New York: Columbia Univ. Teachers Coll. 1932. Pp. vii, 106.)

HASTINGS, S. *The people's health.* (London: The Labour Party. 1932. Pp. 20. 2d.)

- HOLMES, R. H. *Rural sociology: the family-farm institution.* (New York: McGraw-Hill. 1932. Pp. 416. \$3.)
- JONES, D. D. *Edwin Chadwick and the early public health movement in England.* Stud. in the soc. sci., vol. ix, no. 3. (Iowa City: Univ. of Iowa. 1932. Pp. 160.)
- KELLEY, T. L. *Scientific method: its function in research and in education.* (New York: Macmillan. 1932. Pp. ix, 233. \$1.50.)
- LAMB, MRS. B. P. *Economic causes of war and the hope for the future.* (New York: National League of Women Voters. 1932. Pp. 85.)
- MCLEAN, F. H. *Organizing family social work in smaller cities.* 2nd ed. (New York: Family Welfare Assoc. of America. 1932. Pp. 32. 25c.)
- MORLEY, F. *The Society of Nations: its organization and constitutional development.* (Washington: Brookings Inst. 1932. Pp. xxii, 678. \$3.50.)
- PATTERSON, E. M., editor. *National and world planning.* Annals, vol. 162. (Philadelphia: American Acad. of Pol. and Soc. Sci. 1932. Pp. v, 307. \$2.)  
Contains the proceedings of the thirty-sixth annual meeting, to which have been added "Papers presented to the Pacific Southwest Academy Center," and a section on "The press as a factor in international relations."
- REED, L. S. *The medical service of the Homestake Mining Company: a survey of a community medical service operated under industrial auspices.* Pubs. of the Committee on Costs of Medical Care no. 18. (Chicago: Univ. of Chicago Press. 1932. 60c.)
- REED, M. M. and WRIGHT, L. E. *The beginnings of the social sciences.* Ser. on childhood educ. (New York: Scribner. 1932. Pp. 258. \$1.50.)
- ROSS, E. A. *Civic sociology: a textbook in social and civic problems for young Americans.* Rev. and enl. ed. (New York: World Book Co. 1932. Pp. vi, 415. \$1.80.)
- ROSS, E. B. *Government sale of liquor in Canada: ten years' experience.* (Seattle: Lex Pub. Co. 1932. Pp. 130. \$1.)
- SALTER, A., and others. *The causes of war: economic, industrial, racial, religious, scientific and political.* Edited by A. PORRITT. (New York: Macmillan. 1932. Pp. xxix, 235. \$1.50.)  
A collection of papers by members of various sections of Commission I of the World Conference for International Peace through Religion, as submitted to the executive committee for presentation to the World Conference. Among the contributors are Sir Arthur Salter, Sir J. Arthur Thomson, G. A. Johnston, Wickham Steed, Jacob Viner, André Siegfried and W. J. Hinton.
- TILLITT, M. H. *The price of prohibition.* (New York: Harcourt. 1932. Pp. 173. \$1.)  
A statistical analysis of the losses in revenue caused by prohibition.
- VEENSTRA, T. A. *Housing status of salaried workers employed in Pittsburgh.* Bur. of Bus. Res. monog. no. 1. (Pittsburgh: Univ. of Pittsburgh. 1932. Pp. 99. \$1.)
- WATERMAN, W. C. *Prostitution and its repression in New York City, 1900-1931.* Stud. in hist., econ. and public law no. 352. (New York: Columbia Univ. Press. 1932. Pp. 164. \$3.)
- WILLIAMS, P. *The purchase of medical care through fixed periodic payment.* (New York: National Bureau of Econ. Res. 1932. Pp. xvi, 308.)
- Abstracts of theses.* Vol. VIII. *Humanities and social sciences, divinity, commerce and administration, social service administration.* Submitted to the

graduate faculty of the Univ. of Chicago for the degree of doctor of philosophy, Aug., 1929-June, 1930. (Chicago: Univ. of Chicago Press. 1932. Pp. xiii, 626.)

*Adequacy of salaries paid to Oakland school teachers. Compiled under the direction of the Dept. of Research, Oakland Public Schools, and the Heller Committee for Research in Social Econ., Univ. of Calif. Bull. no. 11. (Sacramento: Calif. State Dept. of Education. 1932. Pp. 24.)*

*Canadian Political Science Association: papers and proceedings of the fourth annual meeting, Toronto, May, 1932. Vol. IV. (Kingston, Ont.: Canadian Pol. Sci. Assoc. 1932. Pp. 268.)*

Contains papers read at the annual meeting held at Toronto: "The extent of unemployment in Canada, 1929-32," by H. M. Cassidy, A. G. Heakes and G. E. Jackson; "Relief works as a remedy for unemployment in light of Ontario experience, 1930-32," by H. M. Cassidy; "Unemployment insurance in Canada," by H. A. Logan; "The rôle of private charity in meeting distress due to unemployment," by F. G. Pedley; "Some phases of early Canadian railway development," by S. J. McLean; "The automatic gold standard and the necessary modifications," by A. B. Balcom; "Currency management in Canada," by A. F. W. Plumptre; "Empire currency proposals," by J. P. Day.

*Child labor. Report of the Sub-Committee on Child Labor of the White House Conf. on Child Health and Protection. (New York: Century. 1932. Pp. xix, 592. \$5.)*

This volume is so largely factual that it does not lend itself other than to generalizations. However, its importance is not to be measured by any brevity of review. The work is monumental. Future treatment of child labor in the United States will of simple necessity operate from the base herein established. As stated in the foreword, "This is the first time that all available material has been assembled and information from widely scattered sources has been brought together on the subject of child labor in the United States." The bibliography alone, for these reasons, constitutes a landmark. Taking the broad view, then, one may simply declare that the subject is covered with an exhaustive thoroughness hitherto impossible for any individual or organization in this country. A word of acknowledgement is due the Childrens' Bureau of the United States Department of Labor, and the National Child Labor Committee for their contributions to this project.

Part I treats of non-agricultural occupations of children, dealing not only with industrial employment, but also with special employments, canneries, home-work, street-work, work outside school hours, theatrical exhibitions and motion-pictures. The present status of legal control is stated in each instance. Part II develops the topic of agricultural child labor, in which the issues of control and school attendance are particularly vexing. Part III presents hazardous occupations, industrial accident, and workmen's compensation as related to minors. Apparently there is a need for further investigation of this area, especially as to occupational risk and accident. Part IV deals with the administration of laws affecting the employment of minors, concerning which the report declares: "Few studies of administrative practice in regard to child labor and related laws have ever been made, and fewer still within the past ten years. First-hand, concrete and up-to-date facts are greatly needed both to show where present-day administrative practice fails or is especially effective and to

point the way to improvement." Part V embraces two supplementary reports. The first, prepared by the New York Child Labor Committee, discusses the New York State laws on stage children. The second, prepared by Dr. V. R. Anderson and Marion Nelson, studies the physical examinations of children entering industry in 11 cities.

Each section of the work other than Part V is preceded by a statement of recommendations which, beyond doubt, represent the best informed opinion available upon the lines of social action indicated for solution of the various problems presented by child labor in its manifold ramifications. Students of the subject will find the suggestions for further study and of points requiring investigation particularly valuable.

HERBERT MAYNARD DIAMOND

*The five-year program of the Committee on the Cost of Medical Care, adopted February 13, 1928.* Pub. no. 1. (Washington: Committee on the Cost of Medical Care. Pp. 39.)

*Hospitals and child health: hospitals and dispensaries, convalescent care, medical social service.* White House Conf. on Child Health and Protection. (New York: Century. 1932. Pp. xvii, 279. \$2.50.)

*International pamphlets: a series of pamphlets on current economic, social and political topics by authorities in each field.* Vols. I and II, nos. 1-10; 11-21. (New York: Internat. Pamphlets, 799 Broadway. 1932. Separately paged. \$1.50 each.)

Of economic significance, the following pamphlets are to be noted in Volume I: "Modern farming—Soviet style," by Anna Louise Strong; "Work or wages," by Grace M. Burnham; "Speeding up the workers," by James Barnett. In the second volume: "Social insurance," by Grace M. Burnham; "Spying on workers," by Robert W. Dunn.

*Large-scale housing: final report of the Committee on Large-Scale Operations.* (Washington: President's Conf. on Home Bldg. and Home Ownership. 1932. Pp. 81.)

*Planning for residential districts.* (Washington: President's Conference on Home Building and Home Ownership. 1932. Pp. xvii, 227. \$1.15.)

This, the first in a series of 11 volumes, is essentially a collection of reports of committees of the President's Conference on Home Building and Home Ownership. As the title suggests, it is largely concerned with such matters as city planning, zoning, subdivision layout, the installation of utilities and landscaping.

The report states that while home building is a "very individual thing," nevertheless "the building and owning of a home should be considered and undertaken with the frank acceptance of the fact that it is *part of the community* and not something apart therefrom."

In the sections on planning and subdividing the report not only discusses general principles but also gives many specific suggestions for the real estate subdivider, the builder and the prospective home owner. The discussion of subdivisions is supplemented by 22 diagrams. The section on utilities points out various economies that may be secured by proper arrangement, and further gives considerable interesting statistical data on costs, both per unit and as related to the total cost of the home under differing conditions of shape and size of lots. There are occasional references to the problem of decentralization.

The reader who does not care to study the report in detail will be able

to get the principal features from summaries given at the close of each section. Numerous bibliographical references add to the usefulness of the volume. There is a brief foreword by President Hoover covering the entire series.

LUTHER CONANT

*Proceedings of the Institute of Public Affairs, University of Georgia, sixth annual session, May 2-11, 1932.* Vol. I. (Athens: Univ. of Georgia. 1932. Pp. xviii, 196. \$1.50.)

Contains addresses on "War debts and reparations," by H. G. Moulton; "Economic conditions in Spanish America," by V. A. Belaunde; and "Unemployment insurance," by P. H. Douglas.

*World social economic planning: the necessity for planned adjustment of productive capacity and standards of living.* Vols. I and II. (New York: Industrial Relations Inst. Pp. 998. \$2.50.)

*Slums, large-scale housing and decentralization.* Final rep. of committees, vol. iii. (Washington: President's Conf. on Home Bldg. and Home Ownership. 1932. Pp. 263. \$1.15.)

In the brief committee discussion of blighted areas and slums, emphasis is laid on the importance of financing. The committee report on large-scale operations asserts that two-thirds of the country's population is unable to afford new homes of a satisfactory standard at present costs, and contends that the application of large-scale operations—which involve not only manufacturing economies but improved design, more effective use of land and reduced costs of financing—is essential. The committee finds that undue importance has in the past been attached to the individual free-standing house as the ideal unit.

The business community is strongly urged to concern itself actively with the housing problem, not only in respect to industrial housing, discussed in the committee report on decentralization and housing, but in all its aspects. There is a strong suggestion that otherwise government assistance may be needed. A foreword by the Secretary of the Interior, Dr. Ray Lyman Wilbur, indeed, flatly states that unless business men and business groups meet the challenge involved in the slum problem and also in the problem of providing lower-cost housing generally, "housing by public authority is inevitable."

Only about one-third of the volume is made up of committee reports, the balance consisting of numerous appendices representing contributions of individual members of, or advisers to, the respective committees. These appendices include such topics as a practical plan for slum clearance, a discussion of the proposed mortgage discount bank, taxation, experience of limited-dividend housing companies, population trends as affecting concentration and decentralization, and location tendencies of industry in selected areas.

LUTHER CONANT

## Insurance and Pensions

### NEW BOOKS

CLARK, J. G., and others. *Trade association insurance activities.* Insur. ser. 14. (New York: American Manag. Assoc. 1932. Pp. 16. 75c.)



COHEN, P. *The British system of social insurance: history and description.* (New York: Columbia Univ. Press. 1932. Pp. 278. \$3.50.)

This book provides a brief and yet comprehensive treatment of British health insurance, widows', orphans' and old age contributory pensions, the non-contributory Old Age Pensions acts from 1908-1924, unemployment insurance, workmen's compensation and industrial insurance. The author's method of approach may well be illustrated by the section on health insurance. A concise description of the original law and the various amending acts is followed by current statistics on the health insurance system. The scheme as it exists today is then presented with a clear-cut classification of the classes included, the classes excluded, and those who are liable but may be exempted. The author goes into some detail relative to the inability of insured persons to maintain regular contributions, owing to the prolonged period of depression and unemployment, and the Prolongation of Insurance acts inaugurated for the purpose of providing free periods of insurance for the unemployed.

In a similar fashion Mr. Cohen presents the non-contributory old age pension acts, the Widows', Orphans', and Old Age Pensions act of 1925 which introduced the contributory plan, and greatly broadened the entire concept of social insurance by giving pensions for life to widows of insured men, temporary allowances for their dependent children, temporary pensions to the orphans of an insured parent, and old age pensions for life to insured men and their wives on attaining the age of 65. At 70 the old age pension passes under the ordinary old age pensions acts, but is freed from all tests and restrictions as to need and property qualifications.

The history and the vicissitudes of the British unemployment insurance scheme are treated at length, with a comprehensive outline of the present operation of the system. Of special interest are those sections dealing with unemployed persons who, through long unemployment and inability to make contributions, have lost their right to further normal benefits, but continue to draw "transitional" benefits.

The inclusion of workmen's compensation and industrial insurance, two topics frequently given scant attention in works of this nature, adds considerably to the value of this volume. The account of the British workmen's compensation system, already well developed before the first American states enacted similar legislation, is worthy of careful study. The importance of industrial insurance to the working classes of England is fully recognized. The author describes the evolution of modern insurance companies and registered friendly societies from the early burial societies or clubs which encouraged the poor to save their pennies to provide a "decent" funeral and to escape a pauper's grave. Inasmuch as this form of social insurance grew up privately and independent of governmental auspices, the activities of the government have been largely regulatory for the purpose of correcting abuses and securing just rights and privileges for policyholders.

EARL E. MUNTZ

DANNENMAN, P. E. *Pressure vessel and machinery insurance.* Insur. ser. 11. (New York: American Manag. Assoc. 1932. Pp. 11. 75c.)

GANSE, F. W. *What bankers and trust men should know about life insurance.* (New York: Crofts. 1932. Pp. 212. \$1.25.)

KIEHEL, C. A. *Unemployment insurance in Belgium: a national development*

of the Ghent and Liège systems. (New York: Industrial Relations Counselors. 1932. Pp. xiv, 509. \$3.50.)

LONGMAID, R. H. *Adventures of Robert Ross, insurance solicitor*. (New York: Spectator Co. 1932. Pp. 294. \$3.50.)

MACKAY, G. R. and ACKERMAN, S. B. *Cyclopedia of insurance in the United States*. 42nd annual ed. (New York: Index Pub. Co. 1932. Pp. 1044. \$3.)

MACLEAN, J. B. *Life insurance*. 3rd ed. (New York: McGraw-Hill. 1932. Pp. x, 550. \$4.)

RUBINOW, I. M., editor. *The care of the aged: proceedings of the Deutsch Foundation Conference, 1930*. Soc. serv. monog. no. 14. (Chicago: Univ. of Chicago Press. 1931. Pp. xiii, 144. \$2.)

This monograph consists of the papers presented at a conference called to consider problems of old age. Every aspect of these problems seems to be covered in the 14 papers given to the subject. The actual problem is first set forth by Rubinow. Subsequent papers deal with institutional care of the aged, medical care of the aged sick, outdoor relief, old age pensions and care of the aged in private homes. The experience of Wisconsin and the New York Old Age Security act are also outlined. A final paper by Dr. John A. Lapp considers old age pensions as part of a general social insurance plan. The type of law favored is that which makes it mandatory for the counties to put it into effect but divides the expenses between state and county.

In the appendix is found a note on the care of the aged in Illinois. In addition a digest is given of the various state laws relating to old-age pensions.

GEORGE B. MANGOLD

SHARP, J. G. *Unemployment reserves*. Insur. ser. 9. (New York: American Manag. Assoc. 1932. Pp. 24. 75c.)

WILEY, A. K. *Fidelity bonds, burglary, robbery and theft risks*. Insur. ser. 12. (New York: American Manag. Assoc. 1932. Pp. 16. 75c.)

## Pauperism, Charities, and Relief Measures

### NEW BOOKS

COLCORD, J. C., KOPLOVITZ, W. C. and KURTZ, R. H. *Emergency work relief as carried out in 26 American communities, 1930-31, with suggestions for setting up a program*. (New York: Russell Sage Foundation. 1932. Pp. 286. \$1.50.)

In this report the authors relate briefly the experience of 26 cities in a program of work relief and also make suggestions for setting up such a program. They find that two-thirds of these enterprises were financed from public funds and the remainder from private benefactions. They state also that several states have enacted legislation for the facilitation of work-relief programs.

With but few exceptions the communities studied were located east of the Mississippi river. The various communities differed widely from each other in respect to wages paid, length of assignments, citizenship and residence requirements and earnings received. Most of the communities depended upon the various departments of the city government to find or to offer the work opportunities needed. Usually the labor provided was in connection with some phases of public works. In a number of cities, how-

ever, repairs to private institutions, such as churches, hospitals, libraries and homes for children or for aged were also included.

Part II, comprising the major portion of the book, gives a separate account of the work-relief program for each of the 26 communities studied. These accounts are presented quite uniformly under the following heads; inception of program, method of administration, extent of program and related projects.

The authors are rather wary in their criticisms of these projects, and conclude that it is difficult to develop a plan that would be applicable to all communities. They state, however, that three concepts generally underlay the work-relief program; and these were as follows: Relief to the able-bodied is demoralizing; relief without an equivalent in labor is a waste of money, and relief is not necessarily demoralizing, if accompanied by skilled service. The suggestions for setting up a program deal with such questions as advance planning, personnel, registration of applicants, determination of need, determination of fitness, choice of work projects, wage rates, hours, protection against injury, and varieties of work that may prove feasible for the purpose. The appendix gives various forms used by the work-relief bureaus.

GEORGE B. MANGOLD

FOGARTY, J. *State aid in several forms of public relief*. A thesis. (Washington: Catholic Univ. of America. 1932. Pp. 190.)

## Socialism and Co-operative Enterprises

### NEW BOOKS

BIRD, F. L. *The management of small municipal lighting plants*. (New York: Municipal Admin. Serv. 1932. Pp. iv, 145. \$1.)

BRAEUTIGAM, H. *Wirtschaftssystem des Nationalsozialismus*. (Berlin: Carl Heymanns. 1932. Pp. 97.)

GURIAN, W. *Bolshevism: theory and practice*. Translated from the German by E. I. WATKIN. (New York: Macmillan. 1932. Pp. 412. \$3.)

LAIDLER, H. W., editor. *Socialist planning and a socialist program: a symposium*. (New York: Falcon Press. 1932. Pp. xiii, 255. \$2.)

A collection of brief essays by some 31 socialist writers, most of whom are well known by students of economics. The articles are grouped in three sections under the titles: I, Capitalist and socialist planning; II, Socialist planning in industry and politics; III, Roads to socialism. Many of the essays are stimulating and throw light on the rapid evolution of current economic problems.

POHLE, L. *Kapitalismus und Sozialismus*. Edited by G. HALM. 4th ed. (Berlin: Springer. 1931. Pp. ix, 316.)

RAVER, P. J. and SUMNER, M. R. *Municipally owned electric utilities in Nebraska*. (Chicago: Inst. for Econ. Research. 1932. Pp. vii, 61. \$1.50.)

The larger part of this monograph consists of a meticulously complete analysis of the changes in the number of municipal establishments in Nebraska, in the source of energy, in the horsepower capacity of the generating plant and in the types of prime movers. In addition to the tables there are some excellent charts. It is most unfortunate that the authors have not also included an analysis in terms of kilowatt hours distributed for both the generating and purchasing establishments.

Out of a total of 307 municipal establishments 137 have been acquired by private companies. The great majority of the latter were less than 100 horsepower capacity and were sold by the municipalities during the last few years since the spread of transmission lines has facilitated connections with larger and more efficient generating stations.

An attempt was made to determine the causes which led to the building of municipal plants and also to their subsequent sale to private companies. Such information as was procurable indicated that the securing of service or a prospective bettering of service was a more important factor than rates in such decisions. To what extent if at all lower rates are responsible for the persistence of 170 municipal establishments is not indicated by the survey as no data on rates are included in the report.

A chapter on the legal and statutory provisions affecting municipal ownership in Nebraska may be useful to persons in other states who are interested in such legislation.

CHARLES H. PORTER

## Statistics and Its Methods

### NEW BOOKS

NERLOVE, S. H. *A decade of corporate incomes, 1920 to 1929*. Stud. in bus. admin., vol. ii, no. 4. (Chicago: Univ. of Chicago Press. 1932. Pp. ix, 76. \$1.)

The monograph presents a descriptive analysis of corporation incomes based primarily upon data contained in the *Statistics of Income* issued annually by the Treasury Department. The size of and fluctuations in corporate "gross" and net incomes are analyzed; corporate net incomes are found to be correlated more closely with annual changes in the physical volume of production than with fluctuations in wholesale prices; average corporate net incomes ranged generally from 5 to 6 per cent of corporate "gross" incomes; and corporate net incomes for all corporations averaged 6.6 per cent of invested capital (the book value of assets directly or indirectly furnished by stockholders, as reported to the Bureau of Internal Revenue), the range being from 1 to 8.3 per cent. The dispositions of corporate incomes—compensation of officers, federal income taxes, dividend payments, reinvested earnings, appropriations for depreciation and depletion—are briefly considered. The figures used are all of the "aggregative" type: e.g., "gross" income of all corporations, net income of corporations reporting a net income, net income of all corporations (offsetting the deficits of corporations reporting a deficit against the incomes reported by other corporations), or similar figures for major industrial groups. Being in the nature of "averages," the significance of these figures as a picture of typical conditions decreases as the degree of variation between corporations becomes marked. The author recognizes the limitations which such data impose upon the conclusions that may be drawn.

IRSTON R. BARNES

RORTY, M. C. *Corporate financial policies from boom to depression*. Finan. manag. ser. 38. (New York: American Manag. Assoc. 1932. Pp. 24. 75c.)

SNIDER, J. L. *Business statistics: a book of cases and materials*. 2nd ed. (New York: McGraw-Hill. 1932. Pp. xi, 498. \$5.)

STAMP, J. *Industrial profits in the past twenty years—a new index num-*

ber. Presidential address delivered to the Royal Statistical Society, June 21, 1932. Printed in advance of the *Journal of the Royal Stat. Soc.* (London: Royal Stat. Soc. 1932. Pp. 26. 1s. 6d.)

VINCI, F. *La statistica e l'antropometria clinica. Endocrinologia e Patologia Costituzionale*, vol. vii, fasc. iii. (Bologna: L. Cappelli. 1932. Pp. 235-255.)

WESTERGAARD, H. *Contributions to the history of statistics.* (London: P. S. King. 1932. Pp. vii, 280. 12s. 6d.)

*Un estudio del costo de la vida en Mexico.* (Mexico: Ferrocarriles Nacionales de Mexico, Oficina de Estudios Economicos. 1931. Pp. 104.)

In a country in which the absence, or utter unreliability, of social and economic statistics has been notorious, the initial efforts to apply more rigorous methods in such matters merit especial welcome. The Department of Estadística Nacional has been making notable progress since its foundation less than a decade ago, and now comes a special study made for the National Railways under the direction of J. Silva Herzog.

An income and expenditure questionnaire produced 1,944 satisfactory returns from employees of the Secretaría de Hacienda (Treasury) living in various parts of the republic. The results are classified by income groups, number per family, and geographical distribution. Detailed tables analyze expenditures (in money, not quantities) for food, clothing, rent, recreation, etc. Frequent comparisons are made with Engel's observations on the proportioning of expenditures, the Mexican data conforming, on the whole. An index of food costs, weighted according to actual expenditures, has been prepared, and should prove continuously useful. The study shows a commendable familiarity with methods employed for similar studies in other countries, and with its own limitations.

PAUL S. TAYLOR



## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

In the series of Trade Information Bulletins published by the Department of Commerce have appeared: No. 809, *British Chemical Developments in 1931 and the Early Part of 1932*, by R. R. Townsend (pp. 16, 5c.); No. 810, *Financial Developments in Latin America during 1931*, by H. L. Shepherd, Jr. (pp. 51, 10c.).

In the Trade Promotion Series have been published No. 72, revised edition, *Shipment of Samples and Advertising Matter Abroad, including Use of the Mails in Foreign Trade*, by R. P. Wakefield and Henry Chalmers (pp. 377, \$1.00, bound); No. 91, revised, *Preparing Shipments to Canada: Documentation and Customs Entry*, by M. H. Fricker (pp. 18); No. 134, supersedes No. 29, *Commercial Travelers' Guide to the Far East*, revised edition, 1932 (pp. 389, \$1.00, bound); No. 135, supersedes No. 22, *International Trade in Machinery Belting*, by E. G. Holt and R. H. Sanger (pp. 97, 10c.); No. 136, *Ratio Markets of the World, 1932*, by L. D. Batson (pp. 112, 10c.); No. 137, *Legal Aspects in Collection of Accounts in Cuba*, by M. H. Ramirez (pp. 64, 10c.).

The Bureau of Mines of the Federal Department of Commerce has issued Economic Paper 14 entitled *Consumption of Silver in the Arts and Industries of the United States*, by C. W. Merrill (pp. 18).

In the Census of Distribution carried on by the Bureau of the Census, in the series devoted to Wholesale Distribution, have appeared No. W-201, *Motion Picture Films* (pp. 26); No. W-202, *Radio Sets, Parts and Accessories* (pp. 30).

### Labor

The federal Bureau of Labor Statistics has issued the following bulletin: No. 566, *Union Scales of Wages and Hours of Labor, May 15, 1931* (June, 1932, pp. 238).

The Joint Legislative Committee of the State of New York under the chairmanship of William L. Marcy, Jr., transmitted its *Preliminary Report* to the Legislature in February. It recommended: legal authorization of voluntary unemployment benefit reserve systems with contributions by employees "if they so desire"; long-range planning of public works; constitutional amendment to permit the issuance of short-term bonds for public works in times of depression; compensatory refund of taxes to employers adopting an approved plan for unemployment benefit reserves; a stricter system of license and control of private fee-charging employment agencies; and a very considerable enlargement of the state's employment statistics.

The report states further that the "committee is fully convinced that a system of unemployment reserves should be set up in New York State with no more delay than is imposed by the time required to assemble the data needed as a basis for correct action" (p. 194). In support of the committee's program and as a contribution to this need the report surveys the employment emergency in New York State: employment reporting in six important industrial states; cyclical depression and the possibilities of meeting a part of the resultant unemployment through advance planning of public works; casual labor and plans for its regularization; public and private employment

agencies and their relation to the problems of unemployment; seasonal and technological unemployment together with proposed remedies; and unemployment benefit plans at home and abroad.

In conclusion the committee believes that the problem of unemployment relief can better be met by the so-called compulsory unemployment insurance plan than by poor relief assistance backed by compulsory contribution through taxation.

### Public Finance

The Wisconsin Taxpayers' Alliance (910 Tenney Bldg., Madison, Wisconsin) is publishing a series of bulletins, one of which deals with *Tax Reduction or Bankruptcy: Which?*

Annual reports have been received as follows:

*Revenue Laws of California (Annotated), 1932*, compiled by D. L. Pierce (Sacramento, 1932, pp. 601).

*Twenty-fifth Annual Report on the Statistics of Municipal Finances of the Commonwealth of Massachusetts for City and Town, Fiscal Years Ending between November 30, 1930, and March 31, 1931* (Boston, 1932, pp. 299).

*Annual Report of the Commissioner of Corporations and Taxation of the Commonwealth of Massachusetts for the Year Ending November 31, 1931* (Boston, 1932, pp. 256).

*Twentieth Annual Report of the Colorado Tax Commission to the Governor, Treasurer and Legislature* (Denver, 1932, pp. 158).

*Sixteenth Annual Report of the New Jersey State Board of Taxes and Assessment for the Year Ending June 30, 1931* (Trenton, 1932, pp. 781).

## NOTES

The forty-fifth annual meeting of the AMERICAN ECONOMIC ASSOCIATION will be held in Cincinnati, Ohio, December 28-30, with headquarters at the Hotel Netherland Plaza. The preliminary program has been arranged as follows:

*Wednesday, December 28*

### 10:00 A.M. ROUND TABLE CONFERENCES

1. Economic History—chairman, Abbott Payson Usher, Harvard University

General Topic: The Rise of Monopoly in the United States

Papers: Chester W. Wright, University of Chicago, "Some Developments Underlying the Earlier Trust Movement in the United States"; John Ise, University of Kansas, "The Changing Character and Significance of Monopoly"; Abraham Berglund, University of Virginia, "Significant Technological Aspects of Recent Monopoly Development"

Discussion: Myron W. Watkins; Harry W. Laidler

2. Farm Economics (Joint meeting with the American Farm Economic Association)—chairman, J. D. Black, Harvard University

General Topic: Farm Debt and Distressed Land Holding

Papers: B. H. Hibbard, University of Wisconsin, "Tax Delinquent Lands"; R. M. Green, Prudential Life Insurance Company, "Mortgage Delinquent Lands"; F. F. Hill, Cornell University, "Outlook and Plan for Handling Farm Mortgage Indebtedness"

Discussion: Herbert Simpson; D. L. Wickins; Chester Gray

3. Insurance—chairman, Frank G. Dickinson, University of Illinois

General Topic: The Record of Insurance in the Depression

Papers: David McCahan, University of Pennsylvania, "Underwriting Experience of Life Companies"; G. F. Michelbacher, "Great American Indemnity Company Underwriting Experience of Fire and Casualty Companies"

Discussion: E. L. Bowers; F. E. Wolfe

### 2:30 P.M. FIRST SESSION (Joint session with the American Association for Labor Legislation)—presiding officer, M. B. Hammond, Ohio State University

General Topic: Reserve for Unemployment Insurance

Papers: Richard S. Meriam, Harvard University "Theoretical Aspects of Unemployment Reserves"; Mrs. E. M. Burns, Columbia University, "The Economics of Unemployment Relief"

Discussion: David A. McCabe; Warren B. Catlin; Paul H. Douglas; W. M. Leiserson

### 8:00 P.M. SECOND SESSION—presiding officer, Jacob H. Hollander, Johns Hopkins University

General Topic: Stabilization of Industries

Papers: George W. Stocking, University of Texas, "Stabilization of the Oil Industry: Its Economic and Legal Aspects"; C. T. Murchison, University of North Carolina, "Requisites of Stabilization in the Cotton Textile Industry"

Discussion: Walton H. Hamilton; John D. Clark; Frank A. Fetter; Isador Lubin

*Thursday, December 29*

## 10:00 A.M. ROUND TABLE CONFERENCES

1. Economic Theory—chairman, E. L. Bogart, University of Illinois  
General Topic: American Economic Thought

Papers: E. A. J. Johnson, Cornell University, "Early American Thought"; Broadus Mitchell, Johns Hopkins University, "The Nationalist School"; N. A. Weston, University of Illinois, "The Ricardian Epoch in American Economics"

Discussion: A. D. H. Kaplan; Leo Rogin

2. The Formation of Capital: Measurement and Relation to Economic Instability (Joint meeting with the Division of Industry and Trade, Social Science Research Council)—chairman, Alvin H. Hansen, University of Minnesota

Discussion: David Friday; Simon Kuznets; C. O. Hardy; Winfield Riefler; James Harvey Rogers

3. Marketing (Joint meeting with the National Association of Teachers of Marketing and Advertising)—chairman, H. B. Price, University of Kentucky

General Topic: Size of Business Unit as a Factor in Efficiency of Marketing

Papers: Paul L. Miller, Iowa State College, "Agricultural Marketing"; N. H. Engle, Bureau of Census, "Wholesaling Manufactured Products"; Wilford I. White, University of Texas, "Retail Distribution"

## 2:30 P.M. THIRD SESSION (Joint session with the American Statistical Association)—presiding officer, Irving Fisher, Yale University

General Topic: Federal Reserve Policy since 1926

Papers: Harold L. Reed, Cornell University, "Reserve Bank Policy and Economic Planning"; James Harvey Rogers, Yale University, "Federal Reserve Policy in World Monetary Chaos"

Discussion: E. W. Kemmerer; John H. Williams

## 8:00 P.M. FOURTH SESSION (Joint session with the American Sociological Society and the American Statistical Association)—presiding officer, Raymond Walters, University of Cincinnati

Presidential Addresses: George E. Barnett, American Economic Association; L. L. Bernard, American Sociological Society; Irving Fisher, American Statistical Association

*Friday, December 30*

## 10:00 A.M. FIFTH SESSION—presiding officer, F. W. Taussig, Harvard University

General Topic: The Tariff

Papers: Philip G. Wright, The Brookings Institution, "The Bearing of Recent Tariff Legislation on International Relations"; Percy W. Bidwell, University of Buffalo, "Import Quotas and Foreign Exchange Controls"

Discussion: Ernest M. Patterson

2:30 P.M. SIXTH SESSION—presiding officer: T. S. Adams, Yale University  
General Topic: Real Estate Speculation

Papers: Ernest M. Fisher, University of Michigan, "Speculation in

Suburban Lands"; Herbert D. Simpson, Northwestern University, "Real Estate in the Current Depression"  
Discussion: John R. Riggleman; Corrington Gill

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since August 1:

Bolden, N. R., 1740 W. Trade St., Charlotte, N.C.  
Clark, E., Lake Rd., Mamaroneck, N.Y.  
Collins, F. J., 429 Nevada St., Reno, Nev.  
Flanders, R. E., Box 476, Springfield, Vt.  
Flinn, B. W., 502 Mfrs. Bank Bldg., Rockford, Ill.  
Glover, C. A., 195 Broadway, Rm. 722, New York City.  
Goodwin, E. B., Dept. of Econ., Loyola University, Chicago, Ill.  
Lumpkin, K. D., 37 Prospect St., Northampton, Mass.  
Peters, H. E., 3309 W. Strathmore Ave., Arlington, Baltimore, Md.  
Reid, P. B., Bank of Montreal, P.O. Box 570, Montreal, Quebec, Canada.  
Valko, L., I Zamori St., 7, Budapest, Hungary.

The American Statistical Association held a dinner meeting in New York on September 29 for the discussion of the general topic, "The Outlook for the Price Level." Among the speakers were L. D. Edie, "Effect of the Federal Reserve Policy"; G. F. Warren and F. A. Pearson, "Influence of the Gold Supply"; and F. R. Ottman, "Probable Changes in the Velocity of Circulation."

At the dinner meeting on October 18 the general topic was "Economic Change and Financial Readjustment." Speakers were David Friday, "The Credit Debacle"; W. W. Cumberland, "Imprudent Investments"; and Horace Bowker, "Agricultural and Industrial Stability."

The Southeastern Economic Association held its fifth annual conference at Atlanta, November 11-12. Among the topics discussed were "Bank Mergers and Consolidations," Charles P. White, University of Tennessee; "Policies of the Federal Reserve Banks during the Depression," G. D. Hancock, Washington and Lee University; "Recent Banking Legislation," J. T. Holdsworth, University of Miami; "The Burden of Farm Taxation in the South," J. W. Bell, University of Mississippi; "Research in County Finance Problems," C. H. Knight, University of Alabama; "Public Finance Research in Cooperation with the Southern Regional Committee," J. W. Martin, University of Kentucky; "Resources and the Future of the South," E. W. Zimmerman, University of Maryland.

The Academy of World Economics held three round-table meetings at the University of Virginia on July 8 and 9, in cooperation with the Institute of Public Affairs, on the general subject of the international aspects of the gold standard. Papers were delivered by Leo Pasvolksy, The Brookings Institution; P. E. Barbour, New York City; John Donaldson, George Washington University; C. O. Hardy, The Brookings Institution; Marcus Nadler, Institute of International Finance; David Friday, Washington; R. R. Kuczynski, Berlin; and R. A. Young, University of Pennsylvania.

The Royal Economic Society is making available to members of the AMERICAN ECONOMIC ASSOCIATION the opportunity to obtain certain new publications on special terms at a substantial reduction.

(1) *The Catalogue of the Library of Adam Smith*, edited by James Bonar, \$2.50. There have been added to the edition of 1894 the lectures of 1763 and about fifty volumes not previously known to have belonged to the library



and now duly recorded; also the portrait of Adam Smith in the Tassie Medalion.

(2) *The Letters of David Hume*, edited by J. Y. T. Greig, 2 vols., \$5.00. This is the first comprehensive edition of Hume's correspondence and includes 59 altogether new letters and 120 which have hitherto been published only imperfectly.

(3) *The Life and Work of Cantillon*, edited by Henry Higgs, \$1.50. The volume contains a reprint of Cantillon's "Essai sur la Nature du Commerce en Général" with an English translation; Jevons's article calling attention to the importance of Cantillon's work; and an essay by the editor on the life and work of Cantillon.

(4) *First Essay on Population*, by T. R. Malthus (1798), \$1.00.

(5) *Official Papers*, by Alfred Marshall, \$1.00.

For convenience in taking advantage of this offer, order blanks have already been mailed to members of the AMERICAN ECONOMIC ASSOCIATION.

The Bureau of Economic and Business Research of the College of Commerce and Journalism, University of Florida, has completed two studies relating to the forestry resources of Florida. The studies deal more particularly with timber conservation and the lumber industry. Copies of the studies may be obtained free of charge by writing to the Bureau.

Copies of the *Annual Report* of the Social Science Research Council (230 Park Ave., New York), issued in December, are available to individuals on request.

The eighth cumulated volume of *The Reader's Guide to Periodical Literature*, just published by the H. W. Wilson Company, contains a complete index to the contents of the *American Economic Review* for the past three and one-half years.

The Mississippi Valley Historical Association has published an index to volumes 1-15 of its *Review*.

Announcement is made that *A Guide to the Study of Money and Banking* by Professor James W. Bell of Northwestern University School of Commerce will be published in the near future.

The Faculty of Law of Northwestern University announces that a prize of \$1,000 and a bronze medal as a first prize, and five sums of \$100 each as second prizes, will be awarded to the authors of the best monographs on the subject, "Negotiable Instruments in Their International Relations." The monograph must be submitted by December 1, 1933. Particulars as to the conditions of the award may be had by addressing The Linthicum Foundation, Northwestern University Law School, 357 East Chicago Ave., Chicago, Illinois.

The Industrial Research Group (412 Schermerhorn Annex, Columbia University, New York City) has prepared bulletins on the following subjects: "Decaying Unions," "Labor in Business," "Company Towns," "Public Ownership," "Guide to Research in Social Problems." The bulletins listed are available for distribution at a nominal charge.

The Babson Statistical Organization has completed the compilation of a series of monthly railroad gross earnings from January, 1866, through December, 1908.

The National Transportation Committee, under the chairmanship of Calvin Coolidge, has engaged the services of The Brookings Institution. This undertaking will be supervised by Dr. H. G. Moulton.

Other notes from The Brookings Institution are as follows:

The Brookings Institution, at the request of the National Advisory Council on Radio in Education, is sponsoring a program on current economic and governmental problems. These are given over a nation-wide network on successive Saturday evenings, beginning November 12.

Dr. Leverett S. Lyon, on appointment as a delegate by the State Department, attended the congress on commercial education which met at London, July 25-30.

Leo Pasvolksy is now in Europe engaged in an extensive study of currency and credit conditions. He will represent the United States Chamber of Commerce at the December meeting of the International Chamber of Commerce held at Paris.

Dr. William J. H. Cotton, professor of economics and business administration at Duke University, died September 11, 1932.

Professor William C. Schluter of the University of Pennsylvania died September 5, 1932.

#### *Appointments and Resignations*

E. H. Anderson is instructor in business administration at the University of North Carolina carrying on the work of Dr. Gustav T. Schwenning who is on leave of absence.

Ira D. Anderson of Northwestern University is instructor in accounting at the School of Commerce, University of North Dakota.

J. B. Bearnsen has been promoted to the rank of associate professor of economics at the University of Utah.

Victor E. Berquist has been appointed an instructor at the University of Akron.

William M. Blaisdell, former instructor at Swarthmore College, has been made assistant professor of business administration in the School of Commerce, Temple University.

Carman G. Blough, head of the accounting department of the School of Commerce at the University of North Dakota, has been granted a leave of absence in order to complete the work for his doctorate at Harvard University.

J. Roy Blough of the University of Wisconsin has been appointed associate professor of economics at the University of Cincinnati.

John W. Boatwright, instructor in economics at Northwestern University School of Commerce for the past several years, has been appointed an economist with the Standard Oil Company of Indiana.

H. Morton Bodfish, assistant professor of economics and real estate at Northwestern University School of Commerce has been appointed by Presi-

dent Hoover as a member of the new Federal Home Loan Bank Board and has been granted a leave of absence from the University.

Daniel Borth, Jr., is an instructor in economics at Lehigh University.

Ezra Bowen is serving as lecturer in economics at Brooklyn College.

Robert P. Brecht of the University of Pennsylvania has been appointed executive secretary of the National Office Management Association.

Emily Clark Brown, formerly assistant professor of economics at Wellesley College, has been appointed assistant professor of economics at Vassar College.

W. A. Carter has returned to the department of economics at Dartmouth College.

C. L. Christenson, formerly of the department of economics at Hamilton College, has been appointed to the staff of the department of economics at Indiana University.

William C. Cleveland has resumed his duties as assistant professor of economics at Indiana University.

Harry T. Collings of the University of Pennsylvania served as chairman of the American delegation to the Fifth Triennial International Congress of Commercial Education, held in London during the past summer, and lectured at various German universities during his European tour.

William J. Cunningham of the Harvard Graduate School of Business Administration has been appointed technical expert of the Joint Committee of Railway and Highway Users. The Joint Committee announces that it will welcome suggestions from anyone interested in the problems covered. Suggestions should be made to Professor Cunningham, Room 381, 380 Seventh Ave., New York City.

H. M. Diamond of Lehigh University taught in the summer school of Pennsylvania State College.

Paul Dodd has been appointed lecturer in economics at the University of California at Los Angeles.

Herbert E. Dougall has returned to the department of finance of Northwestern University School of Commerce after a year's leave of absence in Paris and London.

George W. Dowrie, professor of finance in the Graduate School of Business, Stanford University, offered courses in the 1932 summer session at Northwestern University.

Delbert J. Duncan of Northwestern University School of Commerce has been advanced to the rank of associate professor of marketing and management.

Paul T. Ellsworth of Harvard University has been appointed associate professor of economics at the University of Cincinnati.

Mark H. Green has been promoted to a full professorship of economics at the University of Utah. He has been one of the senior economists of the Federal Farm Board at Washington for the last eighteen months.

C. O. Hardy, on leave from the Institute of Economics, taught during the summer at Ohio State University.

John W. Harriman has resigned as instructor in bank management at the Harvard Graduate School of Business Administration to accept an assistant professorship of banking and finance at the Amos Tuck School of Administration and Finance at Dartmouth College.

Richard A. Harvill, recently a member of the teaching staff of the department of economics at Northwestern University, has been appointed instructor in economics at Duke University.

James R. Hawkinson of Northwestern University School of Commerce has been advanced to the rank of associate professor of marketing.

K. D. Hutchinson is an instructor in business administration at West Virginia University.

Asher Isaacs, who has for several years been at the Johnstown Branch of the University of Pittsburgh, has this year returned to Pittsburgh.

Victor S. Karabasz, assistant professor of industry at the University of Pennsylvania, has been elected president of the Philadelphia Chapter of the Society of Industrial Engineers. He was a delegate of the American Committee to the International Congress for Scientific Management in Amsterdam, July 18-23, 1932.

Pearce C. Kelley has joined the staff of the School of Business Administration at the University of Arkansas as assistant professor of marketing.

Elmer C. Koch, assistant professor of accounting, is serving as acting head of the department in the absence of Professor Carman G. Blough.

Warren Leigh, director of the department of commerce at the University of Akron, is a member of the instructional staff of Northwestern University School of Commerce for the current year.

Wassily Leontief of St. Petersburg has been appointed instructor in the department of economics at Harvard University for three years.

Kenneth D. Luney, formerly of the department of economics at the University of Illinois, has accepted a position at Huron State College, South Dakota.

J. W. McBride has been appointed head of the economics department at Ohio Northern University, to succeed Professor C. R. Atkinson.

M. L. McElroy has resigned as instructor in business policy at the Harvard Graduate School of Business Administration to accept a position as assistant professor of marketing at the University of Michigan.

Stuart B. Mead has resigned as instructor in accounting at Lehigh University to do graduate work at Brown University.

John Richard Mez has charge of courses in economics, public finance and international problems at Reed College.

H. E. Mills has retired from the department of economics at Vassar College.

E. M. Patterson of the University of Pennsylvania has been appointed a member of the independent protective committee formed by the holders of Kreuger and Toll debentures.

Gustav T. Schwenning of the University of North Carolina has been on leave of absence during the summer and fall on a Kenan Travelling Professorship. He spent a portion of the period in Geneva, carrying on studies through the International Labor Office on the subject of dismissal wages.

N. L. Smith, who was on sabbatical leave last semester, has returned to Dartmouth College.

William Howard Steiner has been appointed chairman of the department of economics at Brooklyn College.

M. H. Sublette, formerly of the department of economics at the University of Illinois, is teaching at the Nebraska State Teachers College.

Philip E. Taylor has been appointed instructor in economics at Trinity College.

John P. Troxell, recently executive director of the Municipal Commission on Employment Stabilization of the City of Baltimore, has been appointed associate professor of economics and business administration at Duke University.

Wilford L. White returned to his position as professor of marketing at the University of Texas after two years spent on the chain-store inquiry staff of the Federal Trade Commission at Washington.

John H. Williams of Harvard University has been named as one of the two American representatives to serve on the preparatory committee of experts which is to examine the questions to come before the international monetary and economic conference to be held early next year.

Harvy A. Wooster has returned to his position as head of the department of economics at Oberlin College after a leave of absence for two years devoted to the study of unemployment in Massachusetts. He served as director of the Massachusetts Special Commission on the Stabilization of Employment from August, 1931, to September, 1932.

W. H. Wynne of Williams College spent the past year in Europe on sabbatical leave, investigating state insolvencies under the auspices of the Carnegie Corporation and Yale University. He has now resigned his position at Williams College in order to continue his work as research associate with Yale University.

Donald Young has been granted a leave of absence from the University of Pennsylvania to act as fellowship secretary for the Social Science Research Council.



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Heald College  
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Tri-State University  
Penn College  
University of Kansas  
Washburn College  
Friends University  
University of Baltimore  
Nichols Junior College  
Lowell Institute of Technology  
Whitman College  
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Princeton University  
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Alleghany College  
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(Erie Branch)  
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